



OIG Report Highlights

FY 2015 through September 26, 2017

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OIG HIGHLIGHTS

AUD-CGI-17-63

UNCLASSIFIED

September 2017

OFFICE OF AUDITS

Contracts, Grants, and Infrastructure Division

Audit of Invoices Submitted by Torres Advanced Enterprise Solutions, LLC, for Select Local Guard Force Contracts

What OIG Audited

Every overseas diplomatic mission operates under a security program designed and maintained by the Bureau of Diplomatic Security (DS). As part of the security program, DS contracts with qualified security firms to provide local guard services to overseas posts. One of the firms that provides local guard services overseas is Torres Advanced Enterprise Solutions, LLC (Torres). As of June 30, 2016, DS had 12 local guard force (LGF) contracts with Torres, with an estimated total value of \$202.4 million. This audit selected four LGF contracts being performed at Embassies Islamabad, Kampala, Lima, and Panama City. OIG sampled invoices submitted over the life of each selected contract from award through September 30, 2016.

OIG conducted this audit to determine whether the Department of State (Department) approved invoices that contained unsupported or unallowable costs submitted by Torres for select LGF contracts.

What OIG Recommends

OIG made seven recommendations intended to address the deficiencies and questioned costs identified in this report. One recommendation concerning the recovery of \$11,705 has been closed because Torres took corrective actions during audit fieldwork.

Based on the Bureau of Administration, Office of Logistics Management's (A/LM) and DS' response to a draft of this report, OIG considers the six recommendations resolved pending further action. A synopsis of A/LM's and DS' response to the recommendations and OIG's reply follow each recommendation in the Audit Results section of this report. A/LM's and DS' comments are reprinted in Appendices C and D, respectively.

What OIG Found

OIG identified instances in which the Contracting Officer's Representatives (CORs) approved invoices submitted by Torres that contained unsupported or unallowable costs. Specifically, OIG reviewed a sample of 35 invoices associated with four selected LGF contracts, valued at \$11,193,655, and found that 30 of 35 invoices (approximately 86 percent) contained unsupported or unallowable costs, for a total of \$113,614 in questioned costs. The amount of questioned costs identified represents approximately 1 percent of the overall value of the invoices tested. In addition, OIG identified a systemic error that resulted in a \$4,881 recovery from Torres for invoices not sampled.

Although OIG generally concluded that invoices were accurate and were being reviewed appropriately, OIG found areas for improvement and identified three primary COR oversight deficiencies that led to the approval of unsupported and unallowable costs. First, three of four posts did not maintain sufficient contract oversight documentation prior to 2015. However, each post has since implemented centralized, electronic methods to document COR oversight, and OIG noted significant improvement. Second, the COR was not always aware of contract requirements, such as the need for Torres to submit invoice packages with supporting documentation. For example, the Mission Peru LGF contract requires Torres to submit a monthly Quality Assurance and Compliance Report (QACR). However, none of the 13 invoices that OIG tested at Mission Peru included a QACR. The COR stated that he was unaware of the requirement. Third, the CORs did not always complete required invoice review procedures. For example, the LGF contracts reviewed for this audit state that the total number of hours invoiced must be equal to the total number of hours contained in individual timesheets. However, OIG found that the CORs at two of four audited posts did not review any LGF timesheets, while the CORs at the two other posts reviewed a portion of the timesheets but did not verify that the total number of invoiced hours was supported.

As a result, OIG identified \$102,898 in unsupported costs and \$15,597 in unallowable costs, for a total of \$118,495 in questioned costs related to the four LGF contracts audited.

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September 2017
 OFFICE OF INSPECTIONS
 Bureau of European and Eurasian Affairs

Inspection of Embassy Valletta, Malta

What **OIG** Found

- The Ambassador and the Deputy Chief of Mission set a positive tone, maintaining open lines of communication, nurturing an inclusive environment, and mentoring both mid-level and First- and Second-Tour officers and specialists.
- The Ambassador pursued bilateral relations with Malta to partner on issues of common concern, further U.S. policy objectives, and advocate U.S. business investments.
- Section leaders across Embassy Valletta generally managed their sections well to pursue Integrated Country Strategy goals, particularly relative to the embassy's limited staffing.
- Embassy contractors lacked worker's compensation insurance, although it is required by U.S. law.
- Embassy Valletta, which moved into a new embassy compound in 2011, lacked a comprehensive preventive maintenance program for two key building systems and stored \$650,000 of surplus materials from the compound's construction.
- The embassy's emergency and evacuation radio network failed to cover all residences.



ISP-I-17-43

What **OIG** Inspected

OIG inspected U.S. Embassy Valletta from May 4 to 19, 2017.

What **OIG** Recommended

OIG made five recommendations to improve Embassy Valletta's general services, facility management, and information management operations.

In its comments on the draft report, Embassy Valletta concurred with the five recommendations. The embassy's response to each recommendation and OIG's reply can be found in the Recommendations Section of this report. OIG considers the five recommendations resolved. The embassy's formal written response is reprinted in its entirety in Appendix B.

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OIG HIGHLIGHTS

AUD-IT-17-61

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September 2017

OFFICE OF AUDITS

Information Technology Division

Audit of the Department of State's Efforts to Detect and Address the Use of Unapproved Portable Devices

What OIG Audited

Protecting sensitive information is one of the Department of State's (Department) greatest responsibilities and challenges. Portable devices, such as miniature or external hard drives and thumb drives, provide users the capability to easily transport business and personal information, as well as other data. As their use increases, however, so do the associated risks because the properties that make these devices portable and enable their convenient connections also increase the risk of data loss and the introduction of malware.

The Office of Inspector General (OIG) conducted this audit to determine whether the Department has implemented a process to detect the use of unapproved portable devices, as required by Federal and Department requirements, and has taken action to address instances in which unapproved portable devices have been used.

What OIG Recommends

OIG made seven recommendations to the Bureau of Information Resource Management (IRM), one of which is in coordination with the Bureau of Diplomatic Security (DS), to enhance controls over the identification of unapproved portable devices and to prompt action when unapproved devices are detected. On the basis of IRM's response to a draft of this report, OIG considers five recommendations resolved, pending further action, and two recommendations unresolved. A synopsis of IRM's comments regarding the recommendations offered and OIG's reply follow each recommendation in the Results section of this report. IRM's response to a draft of this report is reprinted in its entirety in Appendix B.

What OIG Found

Department policy prohibits the use of non-Department owned portable devices on the Department's systems. OIG found that the Department has implemented methods to detect the use of unapproved portable devices. For example, IRM's Office of Operations, Information Technology Infrastructure Office, Systems Integrity Division uses software to detect when unapproved portable devices are connected to Department systems based on the Enterprise Master List, which is a list that contains both authorized and excluded devices. DS also identifies the use of unapproved devices through its requirement that employees report cybersecurity incidents. These approaches can nonetheless be improved. Specifically, the Systems Integrity Division should keep current its list of approved and excluded portable devices to further protect the network from unapproved portable devices. Moreover, the Systems Integrity Division has not implemented an effective method to verify the approval of authorized portable devices that have been added to the Enterprise Master List. Inadequate controls with respect to these issues increases the risk of data loss and the introduction of malware.

OIG also found that the Department has taken action to address instances in which unapproved portable devices have been used. In addition to automatically blocking unapproved portable devices from connecting, the Systems Integrity Division informally follows up on some reported incidents. DS also follows up on unauthorized portable devices reported by Department employees. Again, these processes can be enhanced. For example, the Systems Integrity Division needs to formalize its processes for following up on incidents and documenting the remediation of the incident. In addition, the Systems Integrity Division and DS should collaborate to clarify their respective roles and responsibilities to maximize effectiveness.

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OIG HIGHLIGHTS

AUD-FM-17-53

UNCLASSIFIED
September 2017
OFFICE OF AUDITS
Financial Management Division

Audit of the Bureau of Consular Affairs Fee-Setting Methodology for Selected Consular Services

What Was Found

Kearney found that CA collected revenue from consular fees in FYs 2014 and 2015 of \$3.7 billion and \$4.1 billion, respectively. The cost for providing consular services in FYs 2014 and 2015, however, was \$3.3 billion each year. Because it recovered more than the full cost of providing services, CA did not fully comply with OMB Circular A-25 or with fee-governing statutes.

One reason that CA collected revenue in excess of costs during this time period was that CA had not adjusted one class of the MRV fee since April 2012, even though the unit price to provide this service had decreased by \$20. One notable change was that the Department as of FY 2013 no longer received an appropriation to cover consular service costs related to fees that CA was not legislatively authorized to retain. Therefore, CA needed additional funds. During the audit, CA officials provided conflicting information on whether the decision not to lower the fee was related to the loss of appropriated funds. By not reducing one class of the MRV fee to align with costs, CA collected revenue that offset some, if not all, of the lost funding. CA does not have the legal authority to charge more than the estimated cost for providing each specific consular service. As a result, CA charged visitors from other countries more than necessary to cover the costs of services rendered. Moreover, to the extent that CA expended funds collected in excess of cost, CA may have violated the Antideficiency Act and appropriations law.

Another reason that CA's revenues exceeded costs for selected consular services was its flawed fee-setting methodology. Kearney concluded that the data used was insufficient, which would affect the accuracy of the calculated fee amounts. Although Kearney was unable to determine what amount of revenue collected in excess of costs was attributable to the flaws, at the beginning of FY 2017, the unobligated balance from consular fees was almost \$1.4 billion. Annually, CA intends to carry 25 percent of its expenses in unobligated balances forward; however, the FY 2017 beginning balance is 31.4 percent, or \$284 million more than CA anticipates needing. CA should address the flaws in its methodology and remit the \$284 million to Treasury to be put to better use across the Federal Government.

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What Was Audited

The Bureau of Consular Affairs (CA) charges user fees for many of the consular services it provides. Congress allows the Department of State (Department) to retain the revenue generated from certain consular fees, although other fees are required to be remitted to the Department of the Treasury (Treasury). Both retained and remitted fees must be set at an amount determined in accordance with Office of Management and Budget (OMB) Circular A-25, "User Charges" and with fee-governing statutes.

Acting on behalf of the Office of Inspector General (OIG), Kearney & Company, P.C. (Kearney), an independent public accounting firm, conducted this audit to determine whether CA complied with cost recovery requirements of OMB Circular A-25. Kearney evaluated the revenues and costs for the Machine Readable Visa (MRV) fee, Passport Security Surcharge, and Western Hemisphere Travel Initiative Surcharge, for FYs 2014 and 2015.

What OIG Recommends

OIG made 11 recommendations to address issues identified in the report. On the basis of the Department's responses to a draft of this report, OIG considers nine recommendations resolved, pending further action, and two recommendations unresolved. A synopsis of the Department's response and OIG's reply follow each recommendation. The Department's responses to a draft of this report are reprinted in their entirety in Appendices B and C. A summary of the Department's general comments and OIG's replies are presented in Appendix D.

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August 2017

OFFICE OF AUDITS

Financial Management Division

Audit of Select Cost-of-Living Allowances for American Employees Stationed in Foreign Areas

What OIG Found

The Bureau of Administration, Deputy Assistant Secretary for Operations, Office of Allowances (A/OPR/ALS) has not established appropriate post allowance rates for the seven posts audited. Appropriate rates have not been effectuated for two primary reasons. First, the methodology currently used to calculate post allowance rates is flawed. Second, even aside from those flaws, A/OPR/ALS does not have sufficient policies and procedures to guide the process for rate setting. OIG estimates that had A/OPR/ALS used available independent cost-of-living economic data to determine rates rather than the methodology it employed, the Department would have saved approximately \$18.2 million between FY 2013 and FY 2015 for six of the seven posts audited.

Although OIG found that A/OPR/ALS generally followed the established process to determine post education allowance rates for dependents of employees living overseas, A/OPR/ALS had not maintained a listing of adequate schools on which to base the rates. In addition, OIG found that A/OPR/ALS had not reviewed and updated the SMA rates annually, as required. OIG estimates that had A/OPR/ALS updated the SMA rates, the Department would have saved \$1.7 million between FY 2013 and FY 2015.

In addition, OIG could not determine if two of three posts where OIG conducted audit fieldwork had appropriately paid employees for education allowances because of insufficient documentation and inconsistencies in the approach used to track education allowance payments. Without uniform policies for tracking education expenses at all posts, the risk of unallowable education expenses being paid increases.

Furthermore, OIG identified shortcomings with the oversight of a task order for eAllowances, which is an IT application used by A/OPR/ALS to convert cost-of-living information into post allowance rates. This occurred, in part, because the Contracting Officer did not timely appoint a Government Technical Monitor and because the quality assurance plan was insufficient. Without sufficient oversight, the risk of undetected calculation errors increases, which would have a financial impact on the Department as well as other agencies that pay employees COLA.

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OIG HIGHLIGHTS

AUD-FM-17-51

What OIG Audited

Federal law authorizes Federal employees to receive cost-of-living allowances (COLA) to cover certain costs incurred when stationed in foreign areas. The Department of State (Department) is responsible for setting COLA rates for all eligible U.S. Government civilians. COLA consists of six different types of allowances, including the three covered in this audit—post allowance, education allowance, and separate maintenance allowance (SMA). Between FY 2013 and FY 2015, the Department spent approximately \$673 million for these three allowances.

The Office of Inspector General (OIG) conducted this audit to determine whether the Department established appropriate post allowance, education allowance, and SMA rates for American employees stationed overseas and whether the Department appropriately paid employees for education allowances in accordance with Federal regulations and Department policies.

What OIG Recommends

OIG made 16 recommendations that are intended to improve COLA rate determination methodologies, internal controls, and processes. On the basis of the Department's responses to a draft of this report, OIG considers 1 recommendation closed and 15 resolved pending further action. A synopsis of the Department's responses to the recommendations offered and OIG's reply follow each recommendation. The Department's responses to a draft of this report are reprinted in their entirety in Appendices B through G. Summaries of the Department's general comments and OIG's replies are presented in Appendices H through J.



OIG HIGHLIGHTS

ISP-I-17-40

What OIG Inspected

OIG inspected U.S. Embassy Skopje from April 19 to May 4, 2017.

What OIG Recommended

OIG made two recommendations to Embassy Skopje to improve controls over official vehicles keys and bulk fuel operations.

In its comments on the draft report, the embassy concurred with the two recommendations. The embassy's response can be found in the Recommendations Section of this report. OIG considers both recommendations resolved. The embassy's formal written responses are reprinted in their entirety in Appendix B.

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August 2017

OFFICE OF INSPECTIONS

Bureau of European and Eurasian Affairs

Inspection of Embassy Skopje, Macedonia

What OIG Found

- The Ambassador and Deputy Chief of Mission led Embassy Skopje in advancing strategic goals despite a complex domestic political climate.
- Embassy sections consistently aligned their operations with Integrated Country Strategy goals.
- Embassy grants management complied with the Department's Federal Assistance Policy Directives.
- Spotlights on Success: Sustained embassy engagement bolstered programs at Macedonia's five American Corners, while "Competitive College Clubs" helped disadvantaged youth access U.S. higher education.
- Spotlight on Success: The embassy Management Section leveraged technology to more efficiently process vouchers.

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July 2017

OFFICE OF AUDITS

Security and Intelligence Division



OIG HIGHLIGHTS

AUD-SI-17-48

What OIG Audited

Since its inception in 1984, the Rewards for Justice (RFJ) program has disbursed more than \$125 million in reward payments to more than 80 people who provided actionable information that led to the arrest of terrorists or prevented acts of international terrorism worldwide. The Bureau of Diplomatic Security (DS) administers the RFJ program, and an RFJ lead coordinator leads the program.

The objective of this audit was to determine whether the Department of State (Department) approved, disbursed, and accurately reported to Congress RFJ program reward payments in accordance with Federal requirements and Department guidance.

OIG reviewed reward payments made between FY 2013 and FY 2015 and reviewed the RFJ case files supporting the 19 reward payments selected for this audit.

What OIG Recommends

OIG made three recommendations to DS to address control weaknesses identified with the RFJ program that pertain to congressional reporting requirements.

DS concurred with the three recommendations, and on the basis of the responses, OIG considers all three recommendations resolved, pending further action.

A synopsis of each response and OIG's reply is presented in the Audit Results section of this report. DS's comments to the draft of this report are reprinted in Appendix B.

Audit of the Process To Approve, Disburse, and Report Rewards for Justice Payments

What OIG Found

OIG found that between FY 2013 and FY 2015 the Department had approved and disbursed 19 RFJ reward payments totaling almost \$22.7 million in accordance with Federal requirements and Department guidance.

However, OIG also found that DS did not always report RFJ reward payments to Congress as required. For example, DS failed to submit reports to Congress on 13 of 19 (68 percent) reward payments made between FY 2013 and FY 2015. In addition, for 6 of the 19 (32 percent) reward payments that were reported to Congress, the reports were submitted beyond the 30-day requirement; these submissions ranged from 40 days to 74 days late. These reporting deficiencies occurred, in part, because of internal control weaknesses within DS and the Bureau of Legislative Affairs that prevented the timely review, clearance, and tracking of these time-sensitive reports to Congress. In addition, interagency partners involved with disbursing the reward payments were often late in providing information needed to complete the reports.

Further, Federal regulations require DS to submit an annual report to Congress on the total amounts expended to operate the RFJ program. OIG found no evidence that any of the required annual reports had ever been prepared and submitted. According to RFJ program officials, they believed the quarterly reports submitted by the Office of the Under Secretary for Management, Emergencies in the Diplomatic and Consular Service (M/EDCS), which included key aspects of the RFJ program, fulfilled this reporting requirement. However, although the M/EDCS reports included information on total expenditures for reward payments and costs associated with publicizing the program, they did not include other operating expenditures such as payroll and travel. These other expenditures make up approximately 10 percent of total program expenditures. Because DS has not submitted the required annual reports to Congress, members of Congress have not had the opportunity to review the total annual operating costs of the RFJ program.

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OIG HIGHLIGHTS

AUD-MERO-17-46

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OFFICE OF AUDITS

Middle East Operations

Compliance Follow-Up Audit of Bureau of International Narcotics and Law Enforcement Affairs Programs in Pakistan

What OIG Found

INL has taken actions or provided clarifying information to close seven of the eight recommendations from OIG's 2014 report. Three of the eight recommendations involved program management, and one of the three remains open. Specifically, OIG confirmed that INL has implemented a monitoring and evaluation framework as recommended in the October 2014 report but has not completed actions to conduct a joint evaluation of the program with the Government of Pakistan. Accordingly, this recommendation remains resolved pending further action.

With respect to the five financial management recommendations contained in the October 2014 report, OIG confirmed that INL has revised its Financial Management Handbook to include new requirements for requesting subobligation terminal date extensions, monitoring and reviewing unliquidated obligations and subobligations, and reconciling funding advances. INL also reprogrammed funds of more than \$86 million that OIG determined could be used for other purposes. As a result, OIG considers all five recommendations in the October 2014 report related to financial management closed.

However, during this compliance follow-up audit, OIG found that INL does not have formal standard operating policies and procedures for defining specific equipment partner needs and assessing partner requests, nor had it completed drafting updated project descriptions, goals, objectives, and performance measures for its Law Enforcement and Border Security Program. OIG is therefore making new recommendations to address these issues. In addition, INL has incorporated some, but not all, of the recommended actions from the October 2014 report into its Pakistan Counternarcotics and Rule of Law Programs. For example, although INL has implemented the new financial management requirements for its Pakistan programs, the template used for requesting subobligation terminal date extensions does not include all information required. Further, although INL de-obligated and reprogrammed the \$86.2 million OIG reported in October 2014 that could be used for other purposes, it still maintains significant levels of unliquidated obligations in its Pakistan programs. As a result, \$11.3 million in funds covering the three programs was canceled and was not used at the end of FY 2016, and up to \$55.2 million in funds, including \$8.7 million in unsubobligated funds, is at risk of being canceled at the end of FY 2017 if no action is taken.

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What OIG Audited

The Bureau of International Narcotics and Law Enforcement Affairs (INL) provides funding and manages assistance programs to Pakistan through INL partners under three key program areas: Law Enforcement and Border Security (which includes the Law Enforcement Reform Program), Counternarcotics, and Rule of Law. In October 2014, OIG issued an audit report that contained eight recommendations intended to improve INL's Law Enforcement Reform Program in Pakistan: three recommendations to improve the program management and five recommendations to improve the financial management of the program.

The Office of Inspector General (OIG) conducted this compliance follow-up audit to determine the extent to which INL implemented the recommendations from OIG's October 2014 report and incorporated them into other key programs in Pakistan, including INL's Counternarcotics and the Rule of Law Programs.

What OIG Recommends

On the basis of confirmation of implementing actions and new information INL provided, OIG closed seven of the eight recommendations from its October 2014 audit report. The single open recommendation pertaining to conducting annual evaluations of the Law Enforcement Reform Program remains resolved, pending further action. In addition, OIG made seven new recommendations, including reprogramming \$8.7 million in unsubobligated funds. INL concurred with all seven recommendations offered. OIG considers six recommendations resolved pending further action and one recommendation closed. A synopsis of INL's comment and OIG's reply follow each recommendation in the Results section of this report. INL's response is reprinted in Appendix C, and OIG's reply to INL technical comments is presented in Appendix D.



OIG HIGHLIGHTS

ESP-17-02

What OIG Evaluated

In light of ongoing concerns with Government-wide efforts to reform the security clearance process, the Office of Inspector General (OIG) evaluated efforts undertaken by the Department of State (Department) to meet requirements related to timeliness and cost-effectiveness. Specifically, this report addresses (1) the accuracy of timeliness data submitted to the Office of the Director of National Intelligence (ODNI), (2) factors that impede the efficient processing of security clearances, and (3) the extent to which the Department tracks costs associated with its security clearance work.

What OIG Recommends

OIG made five recommendations to the Bureau of Diplomatic Security to improve its reported timeliness data, to establish clear roles and responsibilities for the clearance process, to perform a workforce analysis of its clearance workforce, to perform cost estimates of the clearance process, and to attempt to recover funds expended for investigative services performed for other agencies.

OIG made one recommendation to the Bureau of Human Resources to better analyze the type of clearance that student interns may require.

The Department concurred with all of OIG's recommendations.

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July 2017

OFFICE OF EVALUATIONS AND SPECIAL PROJECTS

Evaluation of the Department of State's Security Clearance Process

What OIG Found

The Bureau of Diplomatic Security's Office of Personnel Security and Suitability (DS/SI/PSS) is responsible for conducting security clearance and suitability investigations for individuals at the Department and at certain other Government agencies. DS/SI/PSS investigates newly hired employees who do not currently have a clearance (initial clearances) and processes requests to transfer a clearance from another Government agency (reciprocal clearances). DS/SI/PSS also processes clearances for current Department employees moving from one position within the Department to another without a break in service (conversions).

To comply with various laws and regulations, DS/SI/PSS reports to ODNI on a quarterly and annual basis how long it takes to process both initial and reciprocal security clearances. OIG reviewed the reports submitted from 2012 through 2016 and identified a number of errors, making it impossible for OIG to determine the actual amount of time it takes to process clearances at the Department. For example, DS/SI/PSS uses blanket estimates instead of actual times in its reporting to ODNI and maintains databases with conflicting timeliness information. In addition, DS/SI/PSS does not maintain any data on conversions, so actual processing times for those efforts are also unknown. Finally, OIG identified factors that may impede the timely processing of clearances, including confusion over roles and responsibilities, a lack of adequate resources, and an influx of student interns requiring clearances.

Even though agencies must ensure that security clearances are conducted in a cost-effective manner, OIG found that DS/SI/PSS has not analyzed how much it spends on its clearance investigations. In FYs 2012 through 2015, DS/SI/PSS also failed to seek payment for overseas investigatory work performed for other agencies, potentially costing the Department millions of dollars in lost reimbursements. DS/SI/PSS began billing other agencies in 2016. However, because it does not know how much its own work actually costs, DS/SI/PSS uses pricing developed by the Office of Personnel Management, which performs the majority of background investigations for the Government.

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June 2017

OFFICE OF AUDITS, Middle East Region Operations



OIG HIGHLIGHTS

AUD-MERO-17-47

What OIG Audited

In Afghanistan, the Department of State (Department) is responsible for providing life support services—such as food services and fire protection—to U.S. Government Chief of Mission personnel. The services are provided through the Afghanistan Life Support Services (ALiSS) contract. ALiSS is a multiple award Indefinite Delivery Indefinite Quantity contract with a ceiling value of \$750 million and a 5-year period of performance (1 base and 4 option years). It is executed through a series of task orders for specific services. The contract is funded and managed by the Bureau of South and Central Asian Affairs (SCA).

The Office of Inspector General (OIG) conducted this audit to determine whether (1) SCA is following Federal requirements, Department guidance, and its own standard operating procedures when reviewing ALiSS contract invoices; (2) contract oversight by SCA has been effective; and (3) SCA has assigned sufficient numbers of qualified staff members to oversee the ALiSS contract.

What OIG Recommends

OIG made two recommendations to SCA. The first is intended to improve the clarity of quality assurance reports that are used to evaluate contractor performance. The second is intended to develop invoice review training for incoming ALiSS contracting officer's representatives (COR) to prepare newly assigned staff members for this important oversight role.

SCA concurred with both recommendations OIG offered. A synopsis of each response and OIG's reply is presented in the Audit Results section of this report. SCA's comments to a draft of this report are reprinted in Appendix B.

Audit of the Bureau of South and Central Asian Affairs Invoice Review Process for the Afghanistan Life Support Services Contract

What OIG Found

SCA is following Federal requirements, Department guidance, and its own standard operating procedures to process ALiSS invoices that support contingency operations in Afghanistan. Specifically, SCA is using a three-phase invoice review process for cost reimbursable invoices in which it consults with Department subject matter experts on price reasonableness, conducts a review of draft invoices before formal submission, and conducts a final review before authorizing payment. The invoice review process is documented and has established internal controls that comply with applicable invoice review requirements.

SCA's oversight has been effective and has allowed the bureau to identify and resolve performance issues. OIG's review of delivery inspections, food service operations reviews, safety inspections, and quality assurance reports showed that CORs are verifying receipt of services and assessing whether they meet contractual requirements. OIG also noted that the CORs reduced invoice payments when contractual requirements were not being fulfilled. However, OIG also found that the reporting format for the food services task order can be improved by specifying and reporting individual performance standards. Specifically, the quality assurance reports that CORs currently prepare and submit provide an overall performance assessment but do not address each of the 19 individual performance standards contained in the food services quality assurance plan. Including the individual performance standards is important to ensure that each performance standard is satisfactorily achieved and any identified deficiencies are addressed.

Further, SCA currently has enough qualified staff members at Embassy Kabul to oversee the ALiSS contract and to manage the invoice review workload. However, SCA has not established invoice review training to prepare less experienced CORs who may be assigned to Embassy Kabul in the future. Establishing such training is important to ensure that new CORs assigned to oversee the ALiSS contract are fully prepared and familiar with the unique features of the contract.

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OIG HIGHLIGHTS

AUD-SI-17-43

What **OIG Audited**

Between FY 2008 and FY 2016, Kennesaw State University (KSU) managed seven Department of State (Department) grant or cooperative agreement awards valued at approximately \$3.7 million. Four of the awards were public diplomacy awards from the Bureau of South and Central Asian Affairs (SCA), two awards were democracy and human rights awards from the Bureau of Democracy, Human Rights, and Labor (DRL), and one award was an academic exchange program award from the Bureau of Educational and Cultural Affairs (ECA).

The Office of Inspector General (OIG) conducted this audit to determine whether KSU expended funds and accurately reported financial information related to the Department awards in accordance with Federal requirements and the award terms and conditions.

What **OIG Recommends**

OIG made four recommendations to SCA, DRL, and ECA to assess and, if appropriate, recover questioned costs identified by OIG as unallowable or unsupported. OIG received responses to a draft of this report from SCA, ECA, and the Bureau of Administration, Office of Logistics Management, Office of Acquisitions (AQM), in coordination with DRL (see Appendices C through E). On the basis of the responses, OIG considers all four recommendations resolved, pending further action. A synopsis of management's response and OIG's reply follows each recommendation in the Results section of this report. KSU's response and a summary of KSU's comments and OIG's replies thereto are presented in Appendices F and G, respectively.

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June 2017

OFFICE OF AUDITS

Security and Intelligence Division

Audit of Department of State Grants and Cooperative Agreements Awarded to Kennesaw State University

What **OIG Found**

OIG found that KSU did not always expend funds or accurately report financial information related to Department awards in accordance with Federal requirements and the award's terms and conditions. Specifically, OIG identified and questioned approximately \$1.6 million in unsupported or unallowable costs, which is approximately 56 percent of the total amount of award funds expended by KSU between FY 2008 and FY 2016. The questioned costs identified by OIG related to salaries and other direct expense categories. These questioned costs also included \$862,985 related to conflict of interest violations found in four of the seven awards. Furthermore, KSU did not always maintain documentation to demonstrate that cost-sharing expenditures were made in accordance with Federal requirements and the terms and conditions of the awards. In addition, indirect costs charged to the awards need to be recalculated because an incorrect cost rate was used to calculate a portion of the awards. Finally, OIG found that KSU did not submit accurate and timely financial reports for six of the seven awards audited.

The identified deficiencies occurred, in part, because the KSU grants management office did not have the technical competencies needed to perform required administration of the awards. As a result, KSU was unable to fulfill Department program goals within the agreed-upon deadlines and Department funding may have been expended for purposes other than those agreed to in award terms and conditions. Specifically, KSU did not complete all program goals within the agreed upon deadlines for five of the seven awards audited. In two instances, primary program goals were not completed at all. For example, KSU failed to develop a secure website and create a blog to support a DRL disability sport development award. In another instance, KSU failed to assist with executing an international educational technology conference in Karachi, Pakistan. The Department learned less than 2 weeks before the conference was scheduled to begin that KSU would not be sending faculty to assist with the event, which according to Department officials was detrimental to the conference because KSU staff had key roles in making presentations and conducting workshops.

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OIG HIGHLIGHTS

ISP-I-17-18

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June 2017

OFFICE OF INSPECTIONS

Bureau of Near Eastern Affairs

Inspection of Consulate General Jerusalem

What OIG Found

- The Chief of Mission and Deputy Principal Officer promoted constructive engagement with the Palestinian public and the Palestinian Authority.
- Consulate General Jerusalem's annex facility did not meet operational standards for use as a warehouse.
- The consulate general's radio network coverage for the West Bank did not meet Department standards.
- The consulate general did not update and test its information technology contingency plans.
- The Bureau of Near Eastern Affairs did not enforce Department of State standards in the provision of services and benefits to the staff of the U.S. Security Coordinator office.
- Spotlight on Success: Consulate General Jerusalem instituted a program for First- and Second-Tour American staff to mentor Marine Security Guards and established a mission code of conduct that promotes teamwork and respect.

What OIG Inspected

OIG inspected Consulate General Jerusalem from November 1 to 18, 2016.

What OIG Recommended

This report includes a total of 25 recommendations. OIG made 24 recommendations to improve Consulate General Jerusalem's operations and procedures. The report addresses the implementation of Department of State-managed security assistance programs, the consulate general's management of employee security and safety programs, and the need to improve information management operations. OIG made one recommendation to the Bureau of Information Resource Management to upgrade the radio network coverage for the West Bank.

In its comments on the draft report, the Department concurred with all 25 recommendations. The Department's response to each recommendation, and OIG's reply, can be found in the Recommendations Section of this report. OIG considers the recommendations resolved. The Department's formal written responses are reprinted in their entirety in Appendix B.

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OIG HIGHLIGHTS

(U) AUD-MERO-17-39

(U) What Was Audited

(U) SOC LLC (SOC) supports the Department of State's Worldwide Protective Services (WPS) program. Under the Federal Acquisition Regulations (FAR), SOC is required to prepare and submit an Incurred Cost Proposal (ICP), which is used for reporting costs incurred on Government contracts, reconciling costs to the amounts billed, and calculating an indirect cost rate. The FAR also requires that the cognizant Federal agency obtain an audit of the ICP.

(U) The Department of State, Bureau of Administration, Office of Logistics Management, Office of Acquisition Management (AQM), is the cognizant Federal agency for SOC. AQM requested that the Office of Inspector General (OIG) conduct an audit of SOC's cost representation for its FY 2011 ICPs for WPS contract SAQMMA10D0099, Task Order SAQMMA10F5211 (Task Order 3). The objective of the audit was to determine whether the indirect and direct costs claimed in SOC's FY 2011 ICPs were reasonable, allowable, allocable, and applicable to the contract.

(U) SOC prepared two ICPs for FY 2011: the corporate ICP and the Special Programs ICP. An external audit firm, Kearney & Company, P.C. (Kearney), performed this audit acting on behalf of OIG.

(U) What OIG Recommends

(U) OIG made nine recommendations to address the questioned costs identified in this report. On the basis of the response from AQM, OIG considers all nine recommendations resolved, pending further action.

(U) AQM's comments are included as Appendix D. SOC's response to the audit findings is included as Appendix E. A summary of SOC's comments and Kearney's responses is included as Appendix F.

May 2017

OFFICE OF AUDITS

Contracts, Grants, and Infrastructure Division

(U) Audit of FY 2011 Incurred Cost Proposals for SOC LLC's Worldwide Protective Services Task Order

(U) What Was Found

(U) Kearney is questioning a total of (b) (4) in indirect and direct costs claimed in SOC's Special Programs FY 2011 ICP.

(U) Of the total questioned costs, Kearney is questioning (b) (4) in indirect costs in the Special Programs FY 2011 ICP. Specifically, Kearney is questioning (b) (4) in indirect costs claimed because SOC did not provide sufficient documentation to support related party transactions, duplicated a transaction, included FY 2010 costs in the FY 2011 ICP, and did not properly complete or approve timesheets. In addition, Kearney is questioning (b) (4) in indirect costs included on the Special Programs 2011 ICP related to SOC corporate allocations. Kearney questions (b) (4) in indirect costs because SOC included FY 2010 costs in the FY 2011 ICP, was unable to provide sufficient documentation related to non-labor indirect expenses, included unallowable costs related to sponsoring a trade show, and did not follow its own policy or FAR guidelines when completing or approving timesheets.

(U) Finally, Kearney is questioning (b) (4) in Special Programs direct costs, including (b) (4) that lacked supporting documentation, (b) (4) incurred in FY 2010 but claimed on the Special Programs ICP FY 2011, and (b) (4) in unallowable travel-related service fees.

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OIG HIGHLIGHTS

AUD-MERO-17-45

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June 2017

OFFICE OF AUDITS

Middle East Region Operations

**Audit of Baghdad Diplomatic Support Center Task Orders
Awarded Under Operations and Maintenance Support Services
Contract SAQMMA12D0165**

What OIG Audited

The Department of State (Department) awarded two task orders to PAE Government Services, Inc. (PAE) under the Operations and Maintenance Support Services (OMSS) contract to provide transition and sustainment services at the Baghdad Diplomatic Support Center (BDSC). Task order SAQMMA13F3862 for transition services and task order SAQMMA14F0096 for sustainment services had a total estimated value of \$174.1 million as of August 2016.

OIG conducted this audit to determine whether the Bureau of Near Eastern Affairs (NEA) approved invoices that contained unsupported and/or unallowable costs submitted by PAE for these two task orders.

What OIG Recommends

OIG made six recommendations to the Department to address actual and estimated questioned costs identified in this audit relating to task orders SAQMMA13F3862 and SAQMMA14F0096. Specifically, OIG made five recommendations to the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM) and one to NEA. On the basis of comments to a draft of this report received from NEA and the Bureau of Administration, Office of Logistics Management (A/LM), which responded on behalf of A/LM/AQM, OIG considers all recommendations resolved pending further action. A synopsis of management's comments and OIG's reply follow each recommendation in the Results section of this report. A/LM and NEA responses are reprinted in Appendices C and D, respectively.

What OIG Found

OIG found that NEA approved invoices submitted by PAE that were generally supported and allowable. Specifically, OIG reviewed a statistical sample of 46 invoices totaling \$43.1 million paid to PAE through August 2016 and found that \$40.8 million of sampled costs was supported and allowable. Additionally, OIG found that the percentage of supported and allowable costs approved for payment by NEA improved over time. For example, 93 percent of the total sampled invoice amounts in 2014 and 2015 were supported and allowable, which increased to 99 percent in 2016.

However, OIG also found that NEA approved 21 invoices that contained \$2.3 million in questioned costs. Of this amount, OIG questions \$2.2 million in costs that was not adequately supported as required by contract terms. OIG also questions \$118,000 in costs considered unallowable based on the contract terms, applicable laws, or regulations. On the basis of testing a statistical sample of invoices, OIG estimates that the untested invoices NEA approved for payment could contain approximately \$2.2 million in additional questioned costs, of which \$2.1 million is unsupported and \$109,000 is unallowable. This brings the total questioned costs identified in this report to \$4.5 million, putting the Department's BDSC task orders at increased risk of waste.

OIG reported on aspects of NEA's invoice review policies and procedures in March 2017 (AUD-MERO-17-33), finding that NEA generally followed Federal requirements and its invoice review procedures to process invoices. However, OIG made eight recommendations in that report to improve the invoice review process, including completing post-payment reviews on aging invoices and requiring invoice examiners to consistently document their invoice reviews. NEA and A/LM/AQM concurred with all eight recommendations from that report, and OIG considers each recommendation resolved, pending further action. Accordingly, OIG is not making additional recommendations related to these issues in this report.

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OIG HIGHLIGHTS

ISP-I-17-17

What OIG Inspected

OIG inspected Embassy Accra from November 2 to 18, 2016.

What OIG Recommended

This report includes 20 recommendations. OIG made 19 recommendations to Embassy Accra to improve operations and resource oversight. Nine recommendations addressed the need to strengthen internal controls in general services and facilities management operations. OIG also made recommendations regarding grants administration, consular operations, and the recurring use of unauthorized wireless networks on the embassy compound. OIG made one recommendation to the Bureau of African Affairs to improve management and implementation of the Security Governance Initiative.

In their comments on the draft report, Department stakeholders concurred with the 20 recommendations. The Department's response to each recommendation, and OIG's reply, can be found in the Recommendations Section of this report. OIG considers the recommendations resolved. The Department's formal written responses are reprinted in their entirety in Appendix B.

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June 2017

OFFICE OF INSPECTIONS

Bureau of African Affairs

Inspection of Embassy Accra, Ghana

What OIG Found

- Embassy Accra's inclusive strategic planning process fostered consensus regarding goals, objectives, and the use of resources.
- Although the embassy had taken steps to correct internal control weaknesses identified during investigations into alleged fraud and malfeasance, OIG identified additional vulnerabilities, particularly in general services and facilities management operations.
- The explosive growth of U.S. foreign assistance funding to Ghana over the past 2 years, including the Security Governance Initiative, strained the embassy resources needed to plan, implement, and monitor assistance programs.
- The Consular Section had made progress in correcting deficiencies identified by the Bureau of Consular Affairs, but improvements were still needed in training, managing the appointment system, and reconfiguring consular space to eliminate the presence of non-consular personnel in consular offices.
- Unauthorized wireless networks operated on the embassy compound prior to and during the inspection.
- Spotlight on Success: The Public Affairs Section promoted privately funded study for Ghanaians in the United States through its educational advising (EducationUSA) programs, which contributed to Ghana's status as Africa's second largest source of students to the United States in 2016.

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OIG HIGHLIGHTS

ISP-I-17-19

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June 2017

OFFICE OF INSPECTIONS

Bureau of African Affairs

Inspection of Embassy Luanda, Angola

What OIG Found

What OIG Inspected

OIG inspected U.S. Embassy Luanda from October 11 to 29, 2016.

What OIG Recommended

OIG made 11 recommendations to Embassy Luanda to improve grants administration in the Public Affairs and Political/Economic Sections, strengthen internal controls in management operations, and ensure information technology systems management complies with Department standards.

In its comments on the draft report, the embassy concurred with all 11 recommendations. The embassy's response to each recommendation, and OIG's reply, can be found in the Recommendations Section of this report. OIG considers the recommendations resolved. The embassy's formal written response is reprinted in its entirety in Appendix B.

- Under the leadership of the Ambassador, U.S. engagement with the Angolan government was expanding into new areas of cooperation.
- Embassy Luanda's grants administration in the Public Affairs and Political/Economic Sections did not comply with some Department requirements.
- Following an extended vacancy in the Consular Section's most senior position, new leadership was taking steps to bring the section into compliance with Department standards on issues including visa adjudication review, crisis preparedness, and consular facilities.
- Under a new Management Officer, the Management Section was making progress implementing processes and procedures to correct deficiencies in management controls. Issues that still needed to be addressed included control over the use of official vehicles and accountability for fuel deliveries for official vehicles and residential generators.
- Embassy Luanda's server room for the unclassified computer system did not meet Department standards for structural integrity and physical protection.
- Embassy Luanda's alternate command center was not properly equipped.
- Spotlight on Success: The Management Section's use of a 3-D printer to produce custom products that were unavailable in the local market was efficient and customer-friendly.

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OIG HIGHLIGHTS

ISP-I-17-12

What OIG Inspected

OIG inspected U.S. Embassy Monrovia from October 5 to 26, 2016.

What OIG Recommended

This report includes a total of 26 recommendations. OIG made 23 recommendations to Embassy Monrovia to improve internal controls and emergency preparedness, and to provide shelter to consular clients. OIG also made one recommendation to the Bureau of Overseas Buildings Operations to comply with Department of State standards regarding the treatment of sewage; one recommendation to the Bureau of International Narcotics and Law Enforcement Affairs to conduct contract evaluations; and one recommendation to the Bureau of the Comptroller and Global Financial Services to conduct an audit of travel-related expenses.

In their comments on the draft report, Department stakeholders concurred with 26 recommendations. The Department's response to each recommendation and OIG's reply can be found in the Recommendations Section of this report. OIG considers the recommendations resolved. The Department's formal written response is reprinted in its entirety in Appendix B.

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May 2017

OFFICE OF INSPECTIONS

Bureau of African Affairs

Inspection of Embassy Monrovia, Liberia

What OIG Found

- Embassy Monrovia was still recovering from the effects of responding to the Ebola crisis; internal controls and management programs were especially affected.
- The embassy had 21 internal control deficiencies in management, consular, political, and IT operations.
- The Department of State had not provided sewage treatment for 10 U.S. Government-owned buildings, allowing raw sewage to run into the Atlantic Ocean which is contrary to Department standards.
- Embassy Monrovia had not requested Department of State approval to operate a medical clinic for local employees on U.S. Government-owned property, which could create a liability for the Department.
- Spotlight on Success: The Public Affairs Section's collective training with grant recipients and Grants Officer Representatives helped mitigate financial risk.

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May 2017
OFFICE OF INSPECTIONS
Bureau of Western Hemisphere Affairs

Limited-Scope Compliance Follow-up Review of Embassy Brasilia, Brazil

What OIG Found

- All 30 recommendations reviewed during this limited-scope follow-up of the 2013 inspection report of Embassy Brasilia were closed during the compliance phase and remain closed.
- After a two-decade delay, the Bureau of Overseas Buildings Operations purchased land for the new consulate general building in Rio de Janeiro.
- Since 2013, Embassy Brasilia's International Cooperative Administrative Support Services Council approved 64 locally employed staff positions to address staffing and workload inequities and to strengthen Mission Brazil's management platform.
- OIG determined that Embassy Brasilia mitigated officer concerns about conflict of interest issues with the implementation of a standard operating practice for soliciting donations for the annual July 4th event.

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OIG HIGHLIGHTS

ISP-C-17-28

What OIG Inspected

OIG conducted a limited-scope compliance follow-up review of Embassy Brasilia from February 6 until February 17, 2017. This review evaluated the implementation of 30 of the 54 recommendations primarily related to management and information technology issues at Embassy Brasilia.

What OIG Recommended

OIG issued no recommendations in this report.

May 2017
 OFFICE OF INSPECTIONS
 Bureau of Near Eastern Affairs

Inspection of the Bureau of Near Eastern Affairs

What OIG Found

- In addressing the regional crises in Syria, Iraq, Libya, and Yemen, the Assistant Secretary led the bureau's policy implementation process decisively and clearly. The Bureau of Near Eastern Affairs is widely recognized as crisis-driven and, of necessity, intensely operational in its focus as it responded to four active conflicts in a region that has been in almost constant turmoil since the Arab Spring in 2011.
- The bureau did not measure its performance against its Joint Regional Strategy goals and objectives. The lack of formal monitoring and evaluation processes to measure progress towards goals that require long-term policy coordination—such as equitable economic engagement and expansion of democracy and good governance—diminished the bureau's ability to make strategic adjustments based on evidence derived from the review process.
- The creation of the Office of Assistance Coordination had produced some positive results. However, OIG identified deficiencies in policy coordination, stabilization planning, and strategic planning for assistance to Syria.
- The bureau faced shortages of Foreign Service officers to fill domestic and overseas positions, placing at risk its ability to develop the next generation of diplomats with expertise in the region.
- Bureau staffing had not kept pace with workload in parts of the bureau, increasing workplace stress and employee burnout.
- Spotlights on Success: The bureau created the Office of Iranian Affairs in 2006 to increase the Department's capabilities to focus on Iranian issues and enhance outreach to the Iranian people. The Office of Maghreb Affairs effectively led regional policy implementation and integrated the Special Envoy for Libya into operations.

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ISP-I-17-22

What OIG Inspected

OIG inspected the Bureau of Near Eastern Affairs from October 4 to November 9, 2016.

What OIG Recommended

OIG made 17 recommendations to improve the Bureau of Near Eastern Affairs strategic planning, foreign assistance, human capital management, and information technology operations.

In its comments on the draft report, the Bureau of Near Eastern Affairs concurred with the 17 recommendations. The bureau's response to each recommendation, and OIG's reply, can be found in the Recommendations Section of this report. OIG considers the recommendations resolved. The bureau's formal written responses are reprinted in their entirety in Appendix B.

May 2017

OFFICE OF AUDITS

Middle Eastern Region Operations Division

Audit of the Department of State's Contract To Monitor Foreign Assistance Programs in Iraq

What OIG Found

OIG found that the contracting officer's representatives approved invoices for payment without reviewing sufficient documentation to support the invoiced amount. Specifically, OIG found that 51 of 75 invoices (68 percent) were approved for payment without documentation that supported the invoiced amount. As a result, OIG is questioning a total of \$3,053,893 in unsupported costs, as shown below.

Bureau	Invoices Reviewed	Invoices with Unsupported Costs	Total Unsupported Costs
NEA	39	37	\$2,695,051
INL	9	1	\$57
DRL	15	12	\$318,752
PRM	12	1	\$40,033
Total	75	51	\$3,053,893

Additionally, OIG found that the Department did not adequately maintain contract files and that the Department did not promptly realign funds to specific contract line items with depleted balances, which resulted in ANI delaying for months invoicing for incurred costs.

With respect to the contractor's performance, OIG found that ANI provided satisfactory monitoring support to the Department bureaus and fulfilled contract requirements. For example, as contractually required, ANI submits reports on its monitoring activities. OIG reviewed a random selection of 50 reports that ANI prepared and submitted to the bureaus and found that they met contract requirements. In addition, bureau and Embassy Baghdad representatives stated that they considered ANI's monitoring reports useful and praised ANI's monitoring support. However, OIG also found that the monitoring contract could be improved by including objective and measurable criteria for performance, which would help the Department better assess contractor performance.

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OIG HIGHLIGHTS

AUD-MERO-17-41

What OIG Audited

In September 2011, the Department of State (Department) awarded a \$15-million indefinite-delivery, indefinite-quantity contract to All Native, Inc. (ANI) to provide support for overseeing foreign assistance programs in Iraq. Under this contract, the Department's Bureau of Administration (A Bureau) issued four separate task orders, obligating more than \$7 million to ANI to provide monitoring support to four regional and functional Department bureaus—Near Eastern Affairs (NEA); International Narcotics and Law Enforcement (INL); Democracy, Human Rights, and Labor (DRL); and Population, Refugees, and Migration (PRM)—that are providing foreign assistance in Iraq.

OIG conducted this audit to assess the Department's management and oversight of ANI's performance in monitoring the foreign assistance programs in Iraq. Specifically, the objectives of this audit were to determine (1) the extent to which the Department is managing and overseeing the contract in accordance with Federal and Department regulations and guidelines and (2) whether the contractor is providing monitoring support in accordance with contract terms and conditions.

What OIG Recommends

OIG made three recommendations to A Bureau to determine whether the \$3,053,893 in unsupported costs identified in this report are allowable, recover all costs determined to be unallowable, and improve the oversight capabilities of future monitoring contracts by including objective and measurable criteria to assess contractor performance. A Bureau agreed with all recommendations offered, and a synopsis of its response and OIG's reply follow each recommendation in the Results section of this report. Management comments from A, PRM, DRL, and INL to a draft of this report are reprinted as Appendices C through F, respectively.



OIG HIGHLIGHTS

ISP-IB-17-21

What OIG Inspected

OIG inspected Radio Free Europe/Radio Liberty from September 13 to December 2, 2016. The inspection included the headquarters in Prague, Czech Republic; the Washington, D.C. office; and the news bureau in Kyiv, Ukraine.

What OIG Recommended

OIG made seven recommendations, including two in financial management, and one in human resources policy. Additionally, OIG made four recommendations regarding compliance with the Radio Free Europe/Radio Liberty grant agreement in the areas of information technology and security.

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May 2017

OFFICE OF INSPECTIONS

Broadcasting Board of Governors

Inspection of Radio Free Europe/Radio Liberty

What OIG Found

- Radio Free Europe/Radio Liberty advanced U.S. international broadcasting objectives by providing news to 23 countries through 26 languages.
- Radio Free Europe/Radio Liberty had internal controls vulnerabilities in the approval of contract actions and cashing operations.
- The International Broadcasting Bureau Office of Chief Financial Officer did not close out expired Radio Free Europe/Radio Liberty grants.
- Not all employees in Radio Free Europe/Radio Liberty signed the required conflict of interest declaration form.
- The grant agreement between the Broadcasting Board of Governors and Radio Free Europe/Radio Liberty did not require information technology policies and standards.
- Radio Free Europe/Radio Liberty had outdated security policies.

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OIG HIGHLIGHTS

AUD-FM-17-42

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May 2017
OFFICE OF AUDITS
Financial Management Division

Audit of Department of State FY 2016 Compliance With Improper Payments Requirements

What Was Found

Kearney found that the Department was in compliance with improper payments requirements for FY 2016, as presented in Table 1.

What Was Audited

In FY 2016, improper Federal payments Government-wide totaled approximately \$144 billion. The Improper Payments Information Act (IPIA), as amended, requires Federal agencies to annually identify programs and activities at high risk of improper payments and estimate the amount of improper payments, among other requirements. In addition, inspectors general are required to annually determine whether agencies are in compliance with improper payments requirements.

Acting on behalf of the Office of Inspector General (OIG), Kearney & Company, P.C. (Kearney), an independent certified public accounting firm, conducted this audit to determine whether the Department of State (Department) was in compliance with IPIA, as amended.

What OIG Recommends

OIG made five recommendations to the Bureau of the Comptroller and Global Financial Services (CGFS) to address areas identified in this report that can be improved, including refining quality control procedures in the risk assessment process and reporting optional information in the Agency Financial Report (AFR).

CGFS concurred with all the recommendations, which OIG considers resolved, pending further action. The CGFS response and OIG's reply follow each recommendation in the Audit Results section of this report. The CGFS response to a draft of this report is reprinted in its entirety in Appendix C.

Table 1: Compliance with Improper Payment Criteria

Improper Payment Criteria	Compliance
Conducted Risk Assessment	Yes
Published Agency Financial Report	Yes
Published Estimate	Not applicable*
Published Corrective Actions	Not applicable*
Published and Met Reduction Targets	Not applicable*
Published Error Rate Less than 10 percent	Not applicable*

* These requirements apply only to agencies that have identified programs susceptible to significant improper payments.

Source: Kearney prepared using criteria from the Office of Management and Budget Circular A-123, Appendix C.

Kearney found that the Department performed the required risk assessments using criteria defined by OMB Circular A-123 for all programs meeting minimum thresholds. However, the CGFS process for performing risk assessments did not consider the results of some OIG audit reports. By improving its quality control procedures, the Department may improve its conclusions related to the susceptibility of some programs to improper payments.

In addition, the Department published its FY 2016 AFR on its website and the AFR included the required improper payment disclosures. Although the Department included all required disclosures, some optional information on improper payments identified outside of the payment recapture process was not provided. Because much of this information is available, it would be prudent and useful to the users of the AFR to include this information.

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OIG HIGHLIGHTS

AUD-CGI-17-38

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May 2017

OFFICE OF AUDITS

Contracts, Grants, and Infrastructure Division

Audit of the Bureau of Consular Affairs, Office of Consular Systems and Technology, Administration of Selected Information Technology Contracts

What Was Audited

The Bureau of Consular Affairs (CA) relies on a number of information technology (IT) systems to achieve its mission to protect U.S. citizens abroad and strengthen the security of U.S. borders through the adjudication of visa and passports. Much of the development and maintenance of the IT systems is performed by contractors. The Bureau of Consular Affairs, Office of Consular Systems and Technology (CA/CST) is responsible for the oversight of these contractors.

Acting on behalf of the Office of Inspector General (OIG), Kearney & Company P.C. (Kearney), an independent public accounting firm, conducted this audit to determine whether CA/CST administered IT contracts in accordance with applicable Federal and Department of State (Department) procurement guidelines.

What OIG Recommends

OIG made nine recommendations to address issues identified in the report, including approximately \$28.4 million in identified questioned costs.

CA concurred with eight of the nine recommendations offered and OIG considers each of these recommendations resolved, pending further action. CA did not concur with one recommendation but took action that fulfilled the underlying intent of the recommendation. OIG therefore considers this recommendation closed and no further action is required. A synopsis of management's response and OIG replies are presented after each recommendation in the Audit Results section of this report. CA's comments have been reprinted in Appendix C.

What Was Found

Kearney found that CA/CST did not administer selected IT contracts in accordance with Federal and Department guidelines. Specifically, Kearney found that contracting officer's representative (COR) files did not include all required documents, CORs did not enforce requirements that contractors provide monthly status reports and CORs did not ensure that key contractor personnel met contractual requirements for qualifications. In addition, CA/CST did not enforce requirements for CORs to review invoices from contractors and did not ensure that its policy on approving contract modifications was followed.

The instances of noncompliance with Federal and Department guidelines occurred, in part, because CA/CST did not have sufficient internal policies and procedures related to contract administration. For example, CA/CST did not have clear internal guidance on using a website designed to maintain COR files and did not require new CORs to verify that existing files were complete before undertaking COR oversight duties. Moreover, CA/CST management did not sufficiently oversee CORs and government technical monitors (GTM). CA/CST management and Contracting Officers in the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM) were aware of COR and GTM turnover but did not perform a review of COR files to ensure that CORs were maintaining required documentation. In addition, CA/CST management and A/LM/AQM contracting officers did not sufficiently oversee CORs and GTMs or adequately communicate oversight roles and responsibilities when new CORs or GTMs were assigned.

Because CA/CST did not sufficiently monitor the contracts, Kearney questioned costs of approximately \$28.4 million:

Unsupported Costs	\$25,295,594
Unallowable Costs	\$3,057,674
Total Questioned Costs	\$28,353,268

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OIG HIGHLIGHTS

ISP-I-17-16

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May 2017
OFFICE OF INSPECTIONS
Bureau of African Affairs

Inspection of Embassy Freetown, Sierra Leone

What OIG Found

- Embassy Freetown was still recovering from the effects of responding to the Ebola crisis. Management programs at the embassy were particularly affected by the crisis.
- Communication between Embassy Freetown and Washington waned following the Ebola crisis, and Washington agencies developed bilateral and multilateral programs for Sierra Leone without consulting the embassy.
- Embassy Freetown identified no significant internal controls issues in its 2016 Statement of Assurance. However, OIG identified 22 internal controls deficiencies.
- Many of Embassy Freetown's buildings had been poorly maintained, the cumulative effect of which risks mission effectiveness.
- The Consular Section was not prepared for a crisis or major disaster.
- Spotlight on Success: Embassy Freetown and the Bureau of Administration's Office of Logistics Management conducted an "Integrated Logistics Management System Tune Up" in August 2016. The 3-week tune up led to improvements in internal controls.

What OIG Inspected

OIG inspected U.S. Embassy Freetown from October 27 to November 16, 2016.

What OIG Recommended

OIG made 18 recommendations: 17 to Embassy Freetown to improve internal controls and emergency preparedness and 1 recommendation to the Bureau of Overseas Buildings Operations and Embassy Freetown to develop and implement an action plan to identify, prioritize, and resolve maintenance deficiencies.

In their comments on the draft report, Department stakeholders concurred with the 18 recommendations. The Department's response to each recommendation, and OIG's reply, can be found in the Recommendations section of this report. OIG considers the recommendations resolved. The Department's formal written responses are reprinted in their entirety in Appendix B.

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OIG HIGHLIGHTS

ISP-I-17-20

What OIG Inspected

OIG inspected U.S. Embassy Tel Aviv from October 7 to November 1, 2016.

What OIG Recommended

This report includes a total of 23 recommendations. OIG made 22 recommendations to Embassy Tel Aviv to improve operations and procedures. The report addresses deficiencies in the embassy's Management, Information Management, and Public Affairs Sections and the Haifa Consular Agency's lack of compliance with Department of State (Department) internal controls. OIG made one recommendation to the Bureau of Near Eastern Affairs regarding the Middle East Regional Cooperation Program's interagency agreement.

In their comments on the draft report, Department stakeholders concurred with 22 recommendations and deferred one to the Bureaus of Overseas Buildings Operations. The Department's response to each recommendation and OIG's reply can be found in the Recommendations Section of this report. OIG considers the recommendations resolved. The Department's formal written response is reprinted in its entirety in Appendix B.

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OFFICE OF INSPECTIONS

Bureau of Near Eastern Affairs

Inspection of Embassy Tel Aviv, Israel

What OIG Found

- The Ambassador promoted interagency team work, played a key part in the mission's public diplomacy programs, and effectively led Embassy Tel Aviv in advancing its strategic policy goals in Israel.
- The embassy's residential housing program lacked verification that residences met security standards.
- Motor pool operations had several deficiencies.
- The embassy's Information Management Section had technical, administrative, and contingency planning deficiencies.
- The Public Affairs Section did not submit required strategic planning documents to the Department.
- The Consular Agency in Haifa did not comply with Bureau of Consular Affairs internal controls.
- The embassy could realize \$8 million in cost savings by selling an underutilized property.

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OIG HIGHLIGHTS

AUD-FM-IB-17-40

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May 2017

OFFICE OF AUDITS

Financial Management Division

Audit of Broadcasting Board of Governors FY 2016 Compliance With Improper Payments Requirements

What OIG Found

OIG found that BBG was in compliance with improper payment requirements for FY 2016, as presented in Table 1.

Table 1: Compliance with Improper Payment Criteria

Improper Payment Criteria	Compliance
Conducted Risk Assessment	Yes
Published PAR	Yes
Published Estimate	Yes
Published Corrective Actions	Yes
Published and Met Reduction Targets	Yes*
Published Error Rate Less Than 10 percent	Yes

* BBG was required to publish a reduction target for FY 2016; meeting the reduction target applies beginning in FY 2017.

Source: OIG created using criteria from OMB Circular A-123, Appendix C.

OIG found that BBG complied with the requirement to perform program-specific risk assessments. Specifically, BBG elected to perform annual risk assessments of all key programs. BBG performed qualitative risk assessment testing for nine programs and quantitative risk assessment testing of the Voice of America, the Office of Cuba Broadcasting, the International Broadcasting Bureau, and domestic payroll. Domestic payroll was identified as a program susceptible to significant improper payments in BBG's FY 2015 report. As a result, BBG performed additional testing of domestic payroll in FY 2016, as required.

BBG also published an FY 2016 PAR that included the required improper payments information in accordance with OMB Circular A-136, "Financial Reporting Requirements" on its public website.

Further, OIG found that BBG complied with OMB requirements for testing and reporting programs identified as susceptible to significant improper payments. Specifically, BBG obtained OMB approval for an alternative sampling and estimation methodology and published improper payment estimates, corrective action plans, reduction targets, and error rate information in its FY 2016 PAR.

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What OIG Audited

In FY 2016, improper Federal payments Government-wide totaled approximately \$144 billion. The Improper Payments Information Act (IPIA), as amended, requires Federal agencies to annually identify programs and activities at high risk of improper payments and estimate the amount of improper payments, among other requirements. In addition, inspectors general are required to annually determine whether agencies are in compliance with improper payments requirements.

The Office of Inspector General (OIG) conducted this audit to determine whether the Broadcasting Board of Governors (BBG) was in compliance with IPIA, as amended. Specifically, OIG determined whether BBG conducted a risk assessment for significant programs and evaluated whether BBG reported the required improper payments information in its FY 2016 Performance and Accountability Report (PAR). In addition, OIG performed procedures to determine whether BBG complied with the Office of Management and Budget (OMB) requirements for testing and reporting programs identified as susceptible to significant improper payments.

What OIG Recommends

Because BBG was found to be in compliance with improper payment requirements for FY 2016, OIG is not offering recommendations as a result of this audit.

BBG's comments to a draft of this report are reprinted in Appendix C.



OIG HIGHLIGHTS

ISP-I-17-14

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April 2017

OFFICE OF INSPECTIONS

Bureau of South and Central Asian Affairs

Inspection of Embassy Colombo, Sri Lanka

What OIG Found

- Embassy Colombo engaged proactively with government, media, and civil society in Sri Lanka and Maldives, during a period of significant change in the bilateral relationships with both countries.
- Mission staff praised that the Ambassador for his knowledge and accessibility, but said his last-minute decisions and changes to proposals and projects complicated their planning efforts.
- The Public Affairs Section's strategic planning did not ensure effective management of its resources and programs.
- The embassy's internal controls reviews did not identify deficiencies in six areas that are the subject of recommendations in this report: records management; unannounced cash counts; annual purchase card reviews; fuel management; overtime; and the training needs for grants officer representatives.
- The embassy's management of bulk fuel had numerous physical safety and internal control deficiencies.
- Spotlight on Success: The "iBus" mobile classroom took social media training on the road to diverse and underserved communities.

What OIG Inspected

OIG inspected U.S. Embassy Colombo from October 31 to November 19, 2016. OIG also inspected embassy operations in Maldives.

What OIG Recommended

OIG made nine recommendations to improve the embassy's public diplomacy and policy and program implementation, and its motor pool, procurement and financial management.

In their comments on the draft report, Department stakeholders concurred with the recommendations. The Department's response to each recommendation, and OIG's reply, can be found in the Recommendations section of this report. OIG considers the recommendations resolved. The Department's formal written response is reprinted in its entirety in Appendix B.

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OIG HIGHLIGHTS

ISP-I-17-13

What OIG Inspected

OIG inspected U.S. Embassy Bishkek from October 5 to 28, 2016.

What OIG Recommended

OIG made 11 recommendations to improve Embassy Bishkek's financial, general services, and information management operations.

In their comments on the draft report, Department stakeholders concurred with the 11 recommendations. The Department's response to each recommendation, and OIG's reply, can be found in the Recommendations section of this report. OIG considers the recommendations resolved. The Department's formal written response is reprinted in its entirety in Appendix B.

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March 2017

OFFICE OF INSPECTIONS

Bureau of South and Central Asian Affairs

Inspection of Embassy Bishkek, Kyrgyzstan

What OIG Found

- The Ambassador provided critical leadership of a mission-wide strategic plan to reengage with the Government of Kyrgyzstan following a sharp downturn in the bilateral relationship.
- Embassy Bishkek, with Department support, improved earthquake preparedness. It formed an interagency earthquake preparedness working group, hosted a regional crisis management exercise, and took steps to obtain seismically secure housing.
- The embassy addressed several internal control weaknesses identified in the 2015 Statement of Assurance process. The embassy had not yet corrected internal control issues in financial management, motor pool and information management.
- The mission's grants were managed in accordance with Department standards.
- The Front Office's communication flow led to confusion and delays in decision-making.
- Spotlights on Success: Embassy Bishkek partnered with grantee organizations to provide vocational training to at-risk youth in madrassas (religious schools) and the embassy's seven American Corners countered the influence of Russian extremist rhetoric.

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OIG HIGHLIGHTS

AUD-CGI-17-32

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March 2017

OFFICE OF AUDITS

Contracts, Grants, and Infrastructure Division

Audit of Atlas Service Corps, Inc., Grant Expenditures and Program Income

What Was Found

Kearney found that Atlas did not always expend grant funds, collect program income, or report financial information related to the Department's grant in accordance with Federal regulations, Department requirements, and the grant agreement. Kearney found approximately \$117,000 in grant costs that were charged to the Department's share of the grant and were unallowable or unsupported, as defined by Federal policies. Specifically, Kearney found that Atlas made changes to the scope of the grant agreement without approval and identified other unallowable costs related to compensation and other expense categories. Kearney also found that Atlas did not provide the required minimum amount of cost-sharing funds and that the indirect costs charged to the grant should be revised to consider unallowable direct costs.

Kearney also found that Atlas charged certain fees to host organizations and the participants that were not documented in the Department grant agreement. Although Atlas used the program income to offset the agreed-upon cost-sharing portion of the grant, Kearney identified some transactions that were not recorded correctly. Further, some of the program income that Atlas used to fulfill its cost-sharing arrangement was not generated by activities related to the grant. Because this income was generated outside the scope of the grant agreement, the Department and Atlas will need to make a determination as to the appropriate method to handle the income collected by Atlas. If Atlas does not use those funds to fulfill its cost-sharing arrangement, it will need to provide funds from another source to cover the required cost-share amounts.

In addition, Kearney found instances in which Atlas did not comply with general Federal grant requirements and the Department's Standard Terms and Conditions. Specifically, Kearney found that Atlas' financial management system did not comply with Federal requirements and that Atlas did not comply with the requirement to maintain an effective internal control environment, accurately report program income, and spend available program income before requesting Federal funds.

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What Was Audited

In September 2012, the Department of State (Department) awarded Atlas Service Corps, Inc. (Atlas), a grant to be used to engage Sudanese professionals between the ages of 23 and 35 in fellowship programs. The final total budgeted award amount was \$1,884,984.

Acting on the Office of Inspector General's (OIG) behalf, Kearney & Company, P.C. (Kearney), an independent public accounting firm, conducted this audit to determine whether Atlas expended grant funds, collected program income, and reported financial information related to grant S-LMAQM-12-GR-1139 in accordance with Federal regulations, Department requirements, and the grant agreement.

What OIG Recommends

OIG made five recommendations to address issues related to questioned costs and program income. On the basis of the response from the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), OIG considers all five recommendations resolved, pending further action.

A/LM/AQM's comments are included as Appendix B, and Atlas' comments are included as Appendix C. A summary of A/LM/AQM's general comments and Kearney's responses is included as Appendix D, and a summary of Atlas' general comments and Kearney's responses is included as Appendix E.



OIG HIGHLIGHTS

AUD-MERO-17-33

What OIG Audited

In December 2011, the U.S. Mission to Iraq assumed responsibility from the U.S. Military for supporting all U.S. Government personnel under Chief of Mission authority at Department of State (Department) facilities throughout the country. The support includes medical services, utilities, food, water, equipment and facility maintenance, grounds keeping, and landscaping. The support is provided under several contracts with a combined value of more than \$4 billion.

The Office of Inspector General (OIG) conducted this audit to determine whether the Department's Bureau of Near Eastern Affairs (NEA) invoice review policies and procedures, training and staffing, and practices are sufficient to support overseas contingency operations in Iraq and ensure invoice payments are reviewed in accordance with Federal requirements and NEA guidance.

What OIG Recommends

To address the deficiencies identified in this report, OIG offered eight recommendations intended to improve the invoice review process, including addressing a backlog of invoices that had not been reviewed and ensuring that contractors are not paid for subpar performance.

NEA and the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM) concurred with all the recommendations OIG offered. A synopsis of each response and OIG's reply is presented after each recommendation in the Audit Results section of this report. NEA and A/LM/AQM comments to a draft of this report are reprinted in Appendix B and C, respectively.

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March 2017

OFFICE OF AUDITS, Middle East Region Operations

Aspects of the Invoice Review Process Used by the Bureau of Near Eastern Affairs to Support Contingency Operations in Iraq Need Improvement

What OIG Found

NEA is generally following Federal requirements and its invoice review procedures to process invoices that support contingency operations in Iraq. Specifically, CMO (Contract Management Office)-Frankfurt is presently reviewing invoices before authorizing payment to ensure that invoiced amounts are allowable, allocable, and reasonable. It also verifies that invoices have proper supporting documentation. However, two aspects of its invoice review process need improvement: First, greater attention is needed to address a backlog of invoices that were initially approved for payment without full review and before CMO-Frankfurt was adequately staffed. As of December 2016, the backlog consisted of at least 138 invoices totaling approximately \$14 million that had been awaiting a post-payment review for more than a year. Because CMO-Frankfurt's invoice reviews have previously identified unallowable costs, delays in conducting these reviews increase the risk that unallowable costs may not be recouped in a timely manner. Second, NEA guidance requiring invoice reviewers to document their invoice reviews must be consistently applied to demonstrate that a thorough review has been performed.

OIG also found that NEA's invoice reviewers have completed required training to prepare them for assessing whether invoiced costs are suitable for payment. However, having an adequate number of invoice reviewers has been a challenge for NEA since the award of the first major contract for services in Iraq in May 2011. The office is presently staffed adequately to keep abreast of its current workload, but additional staff is needed to address the backlog of invoices previously approved for payment without a full review.

In addition, OIG found that NEA has not developed contract performance metrics to provide a basis for reducing invoice payments when problems with contractor performance were identified. Further, A/LM/AQM has not developed a practice or methodology for calculating payment reductions when subpar performance is detected. NEA and A/LM/AQM are working to address both issues.

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OIG HIGHLIGHTS

ISP-I-17-11A

February 2017
OFFICE OF INSPECTIONS
Bureau of South and Central Asian Affairs
Inspection of Embassy Islamabad, Pakistan

What OIG Found

- The U.S. Mission in Pakistan advanced U.S. interests despite Pakistan's challenging security environment, host-nation restrictions on travel, and impediments to program implementation.
- The Ambassador led the mission in positively shaping U.S.-Pakistan relations, making progress toward achieving its Integrated Country Strategy goals, and focusing on the mission's security.
- The embassy's International Narcotics and Law Enforcement Affairs Pakistan Section had deficiencies in program oversight and management controls.
- Embassy Islamabad provided inconsistent management support to Consulates General Karachi, Lahore, and Peshawar.
- The mission conducted effective and innovative public diplomacy programs.
- The mission's Information Management Sections provided satisfactory customer service but needed to improve coordination.

What OIG Inspected

OIG inspected U.S. Embassy Islamabad from May 8 to June 17, 2016. The inspection included Consulates General Karachi, Lahore, and Peshawar.

What OIG Recommended

OIG made 15 recommendations to improve Embassy Islamabad's operations and procedures. The report addresses implementation of Department of State-managed government-to-government assistance, embassy management support to the consulates general, and the need to improve information management coordination.

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OIG HIGHLIGHTS

AUD-FM-17-29

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February 2017

OFFICE OF AUDITS

Financial Management Division

Audit of the U.S. Section of the International Joint Commission, United States and Canada, FYs 2014 and 2015 Expenditures

What OIG Found

OIG found that the U.S. Section of the IJC generally expended funds during FYs 2014 and 2015 in accordance with applicable policies, laws, and regulations and that those expenditures were supported by appropriate documentation, as required by the Department's Foreign Affairs Handbook. Specifically, OIG tested 150 expenditures and found that 139 (93 percent) were made in accordance with applicable policies, laws, and Federal regulations. In addition, OIG found that 149 of 150 expenditures tested (99 percent) were supported by appropriate documentation that confirmed the validity and accuracy of the payments. However, OIG found that 11 of 150 expenditures tested (7 percent) were not compliant with the PPA and FAR payment requirements, which generally require Government organizations to make payment within 30 days of receipt of a proper invoice.

What OIG Audited

The International Joint Commission, United States and Canada (IJC), is a binational commission established in 1910 by the Boundary Waters Treaty of 1909. The IJC was created to prevent and resolve boundary and water disputes between the United States and Canada. The IJC is composed of a U.S. Section and a Canadian Section. The U.S. Section of the IJC is funded via U.S. appropriations and receives a variety of support services from the Department of State (Department) in matters of budget, personnel, and general administration.

OIG conducted this audit of the U.S. Section of the IJC to determine whether (1) expenditures made in FY 2014 and FY 2015 were in accordance with applicable policies, laws, and Federal regulations and (2) contracted outside legal services were in accordance with Federal regulations.

What OIG Recommends

OIG made one recommendation to the U.S. Section of the IJC to promote compliance with the Prompt Payment Act (PPA) and Federal Acquisition Regulation (FAR) payment requirements and to avoid unnecessary interest penalties. The U.S. Section of the IJC agreed to the recommendation, which OIG considers resolved, pending further action. The U.S. Section of the IJC's response and OIG's reply follow the recommendation in the Audit Results section of this report. The U.S. Section of the IJC's response to a draft of this report is reprinted in its entirety in Appendix B. OIG requested but did not receive formal comments from the Department's Bureau of Western Hemisphere Affairs.

The reason the U.S. Section of the IJC did not always comply with PPA and FAR requirements was, in part, because the IJC did not follow Department procedures concerning the timeliness of invoice processing or establish its own policies and procedures to ensure compliance. As a result, OIG determined that the U.S. Section of the IJC incurred over \$1,200 in interest penalties in FYs 2014 and 2015. Because OIG limited its testing to a sample of 150 expenditures out of a total universe of 1,619, it is possible that additional expenditures may not have been paid within 30 days, which could have increased the risk of additional interest penalties. Therefore, successfully addressing the deficiencies noted in this report regarding the timely processing of invoices could result in monetary savings by avoiding interest penalties.

In addition, OIG found that the U.S. Section of the IJC contracted outside legal services, which was in accordance with Federal regulations. Specifically, OIG determined that a contract executed by the U.S. Section of the IJC to obtain an expert legal opinion during the Federal Government's assessment of certain IJC recommendations was reasonable and made in accordance with Federal regulations.

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OIG HIGHLIGHTS

AUD-SI-17-21

What OIG Audited

The Office of Inspector General (OIG) conducted this audit to determine whether the Bureau of Diplomatic Security (DS) effectively administered the armored vehicle program in accordance with Department of State (Department) policies and guidelines, allocated armored vehicles to meet posts' needs, and maintained accountability over armored vehicles stored domestically. OIG also determined whether select posts utilized armored vehicles that met required standards, whether posts sufficiently maintained armored vehicles, and whether the Department disposed of and transferred armored vehicles in accordance with Department policies.

The armored vehicle program is intended to provide armored vehicles abroad so that posts have a reasonable number of armored vehicles for "enhanced levels of protection...during periods of increased threat, instability, or evacuation" and "to enhance security for U.S. dignitaries visiting countries that require higher protection levels."

What OIG Recommends

OIG made 38 recommendations to address the deficiencies identified in the armored vehicle program. OIG received responses to a draft of this report from DS, the Bureau of Administration, the Bureau of International Narcotics and Law Enforcement Affairs, Embassy Abuja, Embassy Bogota, and Embassy Port-au-Prince (see Appendices D through I). OIG considers 4 recommendations closed; 26 recommendations resolved, pending further action; and 8 recommendations unresolved. A synopsis of management's response and OIG's reply follow each recommendation in the Results section of this report.

February 2017

OFFICE OF AUDITS

Security and Intelligence Division

Audit of the Bureau of Diplomatic Security's Administration of the Armored Vehicle Program

What OIG Found

OIG found that DS did not effectively administer the armored vehicle program in accordance with Department policies and guidelines, because DS had not developed appropriate procedures, guidance, or processes. As a result, the armored vehicle program continues to be at significant risk for fraud, waste, and abuse; indeed, court documents in a recent criminal matter included allegations that a DS employee misappropriated Department vehicles. Moreover, these issues mean that DS is not positioned to fulfill its intended mission: to ensure overseas posts have a reasonable number of armored vehicles that offer enhanced levels of protection.

OIG also found that DS did not allocate armored vehicles to meet posts' needs because of a lack of oversight of the process. As a result, overseas posts requiring armored vehicles have not been provided the appropriate number. Additionally, OIG determined that DS had incurred an impairment loss of \$24.9 million for 259 armored vehicles that were unused for over one year. OIG also found that, to reduce inventory, DS transferred 200 unused armored vehicles, valued at \$26.4 million, to other U.S. Government agencies without cost reimbursement. OIG questions the \$51.3 million associated with these issues.

In addition, DS did not maintain sufficient accountability over armored vehicles stored domestically because of a lack of policies and procedures. As a result, OIG could not locate five vehicles, valued at \$536,159. Additionally, OIG determined that posts used armored vehicles that did not always meet required protective standards. As a result, the armored vehicles used by these posts do not meet the minimum protection level, putting U.S. Government personnel at risk. Further, OIG found that posts did not always sufficiently maintain armored vehicles because of a lack of oversight by embassy personnel. As a result, posts may not have armored vehicles mission-ready, which could jeopardize the safety and security of vehicle occupants. Finally, OIG found that the Department did not always dispose of or transfer armored vehicles in accordance with Department requirements. These deficiencies occurred, in part, because of insufficient policies and procedures, which increase the risk that vehicles will be improperly disposed of or misappropriated.

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OIG HIGHLIGHTS

ISP-IB-17-09

February 2017
OFFICE OF INSPECTIONS
Broadcasting Board of Governors

Inspection of the Broadcasting Board of Governors' Middle East Broadcasting Networks

What OIG Found

What OIG Inspected

OIG inspected the Middle East Broadcasting Networks from May 9 to June 10, 2016. The inspection included the headquarters in Springfield, Virginia, the news bureau in Washington, DC, and the production center in Dubai, United Arab Emirates.

What OIG Recommended

OIG recommended that the International Broadcasting Bureau Office of Chief Financial Officer review the Middle East Broadcasting Networks' past unliquidated obligations and expired grants. OIG also recommended that the Middle East Broadcasting Networks strengthen property management operations and conduct a fire drill on an annual basis. OIG made other recommendations regarding compliance of the Middle East Broadcasting Networks' grant agreement in the areas of information technology and security.

- The Middle East Broadcasting Networks established the *Raise Your Voice* campaign to counter the influence and messaging of the Islamic State of Iraq and the Levant.
- Since the 2010 OIG inspection, the Middle East Broadcasting Networks improved the methods it uses to measure its effectiveness and impact of its programming.
- The International Broadcasting Bureau Office of Chief Financial Officer did not review the networks' past unliquidated obligations totaling \$6.2 million or close out expired grants.
- The Middle East Broadcasting Networks did not have robust disposal processes and internal controls for excess property.
- The Middle East Broadcasting Networks lacked formal information technology standards or policies.
- The Middle East Broadcasting Networks had not conducted a fire drill at its headquarters in Springfield, Virginia since occupying it in 2004.

Office of Inspector General
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OIG HIGHLIGHTS

ISP-I-17-10

February 2017
OFFICE OF INSPECTIONS
Domestic Operations

Inspection of the Bureau of Population, Refugees, and Migration

What OIG Found

What OIG Inspected

OIG conducted an inspection of the Bureau of Population, Refugees, and Migration from May 10 to June 18, 2016.

What OIG Recommended

OIG made 10 recommendations to the Bureau of Population, Refugees, and Migration to address staffing planning, communication, contract management, monitoring and evaluation, human resources, and purchase card internal controls.

OIG questioned costs of \$1,361,408 incurred by the bureau under task order SAQMMA11F4076 and \$845,429 under delivery order SAQMMA14F142. Payments made under these orders exceeded the firm-fixed price ceilings in the original orders without justifications in the contract file.

- The Assistant Secretary led the Bureau of Population, Refugees, and Migration's response to a series of humanitarian emergencies that have produced the largest number of displaced persons since World War II. This unprecedented increase in workload placed stress on bureau personnel and operations at all levels.
- The bureau established standard operating procedures and systematic mechanisms to engage, monitor, and evaluate the effectiveness of the international organizations it funds.
- As a result of unclear communication about policy priorities, bureau employees were uncertain about how to prioritize their work in order to meet bureau strategic goals most effectively.
- The bureau has been hampered by the lack of a staffing plan to address its expanded workload. As humanitarian crises grew more complex and protracted, close coordination between bureau humanitarian and U.S. Agency for International Development programs became imperative in order to make more efficient use of resources and improve outcomes for refugee populations.
- The bureau developed generally effective internal control policies and procedures to manage grants and cooperative agreements.
- The bureau's engagement on the Migration in Countries in Crisis Initiative resulted in the June 2016 development of internationally accepted draft guidelines on the treatment and protection of vulnerable migrants.
- The bureau's 2015 annual statement of assurance on management controls did not include formal assessments of contract management, information technology security, and refugee admissions.
- The Bureau of Population, Refugees, and Migration and the Bureau of Administration, Office of Acquisitions Management exceeded firm-fixed price ceilings for two contracts by \$2.21 million from 2012–2016.

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OIG HIGHLIGHTS

January 2017
OFFICE OF INSPECTIONS
Bureau of European and Eurasian Affairs

Inspection of Embassy Belgrade, Serbia

ISP-I-17-08A

What OIG Found

What OIG Inspected

OIG inspected U.S. Embassy Belgrade from May 4 to 24, 2016.

What OIG Recommended

OIG made six recommendations to Embassy Belgrade to address issues related to record emails; electronic files organization; timely reporting of grants awards; adequate safeguards and controls and annual inventory reconciliation of facility stock and supplies; and fire safety standards for residential properties.

- The Ambassador and the Deputy Chief of Mission formed a cohesive team and ensured that employees worked together to accomplish Embassy Belgrade's goals.
- Staffing shortages and insufficient embassy oversight of the local guard force resulted in unnecessary overtime work, causing inefficiencies and morale problems.
- Embassy Belgrade's Public Affairs Section was not in compliance with Department of State standards on grants management.
- The Management Section followed Department guidance for most required procedures, but was not maintaining inventory controls.
- Embassy Belgrade employees did not use record emails, and electronic records were not organized in accordance with Department standards.
- Spotlights on Success: Consular managers created an effective and simple mechanism for monitoring consular management controls, and the Customer Service Center improved service.

Office of Inspector General
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OIG HIGHLIGHTS

ISP-I-17-07A

January 2017

OFFICE OF INSPECTIONS

Bureau of East Asian and Pacific Affairs

Inspection of Embassy Port Moresby, Papua New Guinea

What OIG Found

What OIG Inspected

OIG inspected the U.S. Embassy Port Moresby from June 9 to 28, 2016.

What OIG Recommended

OIG made 13 recommendations to U.S. Embassy Port Moresby to strengthen internal controls, comply with directives on grant management, and limit the work of the Consular Agency in the Solomon Islands to border security and protection of American citizens.

- Internal control deficiencies adversely affected Embassy Port Moresby operations.
- Embassy managers paid insufficient attention to internal controls for the purchase card program, contracts, property management, and fuel consumption.
- Embassy Port Moresby's management of grants did not comply with Department of State directives.
- The embassy's Integrated Country Strategy was overly ambitious to the detriment of effective internal control.
- The work of the Consular Agency in Honiara, Solomon Islands, exceeded the mandate of a consular agent.
- Embassy Port Moresby personnel told OIG that the recent assignment of an ambassador with strong management experience had been needed, and they expressed appreciation for the Ambassador's and the Deputy Chief of Mission's inclusive and collaborative styles.

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OIG HIGHLIGHTS

ISP-I-17-06A

January 2017
OFFICE OF INSPECTIONS
Bureau of European and Eurasian Affairs
Inspection of Embassy Bratislava, Slovakia

What OIG Found

What OIG Inspected

OIG inspected U.S. Embassy Bratislava from May 25 to June 13, 2016.

What OIG Recommended

OIG made 11 recommendations to tighten Embassy Bratislava's internal controls and improve embassy operations. These address deficiencies in fire alarm testing and maintenance; grants management; electronic file organization; use of record emails; employee use of the contracted taxi service for personal trips; cabling infrastructure; housing inspections; and monitoring of consular cashier activities.

- Embassy Bratislava's Chargé d'Affaires and acting Deputy Chief of Mission encouraged teamwork and collaboration in the mission, consistent with Department of State leadership principles.
- The Department of State has been trying since 2007 to identify a new embassy compound site. Embassy Bratislava identified this as its highest priority management goal and was working with the Department and the Government of Slovakia to identify and acquire a site.
- Embassy Bratislava did not inspect, test, or maintain the embassy fire alarm systems.
- The Public Affairs Section did not fully comply with Department guidance on grants management.
- Electronic records were not organized or readily retrievable and employees made limited use of record emails.
- The embassy did not effectively monitor employees' use of its contracted taxi service for personal trips.
- The embassy systems cabling infrastructure did not meet Department specifications.

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OIG HIGHLIGHTS

ISP-I-17-05A

December 2016
OFFICE OF INSPECTIONS
Bureau of East Asian and Pacific Affairs

Inspection of Embassy Rangoon, Burma

What OIG Found

- Embassy Rangoon engaged effectively to advance goals of credible general elections and a peaceful government transition in Burma.
- The embassy contributed to Washington policy deliberations on multiple issues, shaped high-level U.S. Government representations, and advanced U.S. goals in Burma.
- The Ambassador and the Deputy Chief of Mission set an inclusive and professional tone for the embassy consistent with Department of State leadership principles.
- Rapid mission growth and a capital city 240 miles from the embassy pose internal control risks.
- Embassy internal review processes did not identify deficiencies in inventory, invoicing, cashiering, motor pool, and grants management.
- The embassy's management of grants lacked effective monitoring and closeouts of expired grants.
- The Public Affairs Section produced five daily media products, but had not surveyed end users to determine whether each product had an audience.
- Embassy emergency preparedness did not encompass response to earthquakes.
- The embassy's Assistance Working Group managed a coherent foreign assistance portfolio and may be a useful model for other embassies to coordinate assistance.

What OIG Inspected

OIG inspected U.S. Embassy Rangoon from May 11 to June 7, 2016.

What OIG Recommended

OIG made nine recommendations to U.S. Embassy Rangoon to correct weaknesses in earthquake response plans, tighten internal control, and reallocate public diplomacy resources.

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December 2016

OFFICE OF AUDITS

Middle East Region Operations

Audit of the Oversight of Fuel Acquisition and Related Services Supporting Department of State Operations in Iraq

What OIG Found

OIG found that NEA did not ensure that fuel acquired by PAE for Department operations in Iraq complied with fuel quality standards. This occurred because NEA did not require PAE to implement a fuel inspection system in accordance with the Federal Acquisition Regulation (FAR) and BLiSS contract terms. As a result, PAE did not provide NEA with inspection reports to demonstrate that fuel purchases complied with contractual quality requirements. OIG is therefore questioning \$64 million paid to PAE for fuel purchases as of January 2016.

Further, OIG found that NEA did not nominate personnel with the contract experience and technical expertise necessary to conduct oversight of fuel-related activities. This occurred because NEA's oversight structure was inadequate to ensure that the BLiSS and OMSS contracts were staffed with sufficient numbers of trained, experienced, and certified personnel. As a result, many oversight activities were not adequately performed.

In addition, OIG found that NEA did not adequately plan for or conduct comprehensive oversight of the fuel task orders awarded under the BLiSS and OMSS contracts. Specifically, NEA did not (1) develop comprehensive quality assurance surveillance plans to ensure fuel quality, (2) ensure that the contracting officer's representatives (CORs) acted within their delegated authority when accepting fuel, and (3) ensure that the CORs adequately documented PAE's performance. These deficiencies occurred, in part, because NEA did not implement FAR requirements and Department policies. As a result, NEA did not hold PAE accountable for identified performance weaknesses.

Finally, although OIG found that the invoice review process implemented by NEA for fuel-related invoices generally complied with Federal and Department guidance for conducting invoice reviews, the process did not include an independent verification of domestic fuel prices. Specifically, Contract Management Office-Frankfurt's invoice review process did not include a step to independently verify whether PAE invoiced for domestic fuel at prices that were established in accordance with contract terms and conditions. As a result, NEA overpaid PAE \$2.4 million for domestic fuel, all of which had been recovered by the Department as of October 2016.

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OIG HIGHLIGHTS

AUD-MERO-17-16

What OIG Audited

The Department of State (Department) awarded two contracts to PAE Government Services, Inc. (PAE): (1) the Baghdad Life Support Services (BLiSS) contract and (2) the Operations and Maintenance Support Services (OMSS) contract. These contracts were to provide fuel and related services to Department facilities in Iraq. The BLiSS contract includes the requirements for fuel acquisition, and the OMSS contract includes the requirements for fuel distribution and storage, as well as fuel-related equipment maintenance. Fuel is a mission-critical item because each Department site in Iraq operates and maintains its power sources independently from the local power grid.

The Office of Inspector General (OIG) conducted this audit to determine whether Bureau of Near Eastern Affairs (NEA) oversight personnel implemented adequate controls to ensure that PAE performed fuel acquisition, fuel distribution, equipment maintenance, and other fuel-related activities in accordance with the contract terms and Federal regulations.

What OIG Recommends

OIG made 14 recommendations to NEA that are intended to improve the oversight of fuel acquisition and related services. In addition, OIG made four recommendations to the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), to seek adjustment for any nonconforming fuel included in the \$64 million paid through January 2016 and to recover \$2.3 million in overpayments to PAE. Based on responses from NEA and the Bureau of Administration, Office of Logistics Management (A/LM), which responded on behalf of A/LM/AQM, OIG considers 1 recommendation closed; 16 recommendations resolved, pending further action; and 1 recommendation unresolved.



OIG HIGHLIGHTS

ISP-I-17-04

December 2016
OFFICE OF INSPECTIONS
Domestic Operations

Inspection of the Bureau of Consular Affairs, Office of Consular Systems and Technology

What OIG Found

What OIG Inspected

OIG inspected the Bureau of Consular Affairs, Office of Consular Systems and Technology from May 9-June 10, 2016.

What OIG Recommended

OIG made 25 recommendations to the Bureau of Consular Affairs to address needed improvements in the Office of Consular Systems and Technology, including staff shortfalls; coordination and communication with other bureau offices and within the office itself; management of its modernization effort; information security; management controls; financial management; and acquisition management.

- The Director of the Office of Consular Systems and Technology implemented a reorganization and new processes to improve the workflow, provide more information on projects, and prioritize work. These actions advanced office and Bureau of Consular Affairs strategic goals and objectives.
- Staffing vacancies, which increased from 14 percent in 2015 to 27 percent in 2016, negatively affected office and bureau-wide operations. Such vacancies—ranging from deputy director to financial officer—hindered the office's ability to carry out day-to-day functions, delayed the development of critical software, and contributed to weak management controls.
- The Office of Consular Systems and Technology stabilized legacy consular systems applications to improve the availability, integrity, and security of the data they contain. However, the office did not develop proper security and contingency plans for its current program to modernize key consular systems.
- The office required improved input, collaboration, and communication with the rest of bureau and with its own staff to effectively manage its legacy systems and ConsularOne development.
- OIG found deficiencies in management controls. Some internal controls were weak or not operating—including required segregation of duties between budget, acquisition, and contracting oversight functions—which increased the risk of fraud, waste and abuse. The office also did not follow Department of State requirements in preparing management control statements of assurance, closing contracts, and monitoring unliquidated obligations. The failure to monitor unliquidated obligations resulted in \$18.54 million that could be put to better use.

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OIG HIGHLIGHTS

AUD-MERO-17-08

What OIG Audited

The Department of State's (Department) Bureau of Near Eastern Affairs (NEA) is responsible for managing the multimillion-dollar Middle East Partnership Initiative (MEPI) program. During FYs 2013 and 2014, NEA managed 400 separate MEPI awards, with total Federal funding of \$461.3 million. MEPI provides funding to non-governmental organizations, civil society organizations, educational institutions, local governments, and private businesses to implement projects that promote political, economic, and social reform.

The Office of Inspector General (OIG) conducted this audit to determine whether the goals and objectives of the MEPI program were being achieved and whether NEA effectively monitored the MEPI grants and cooperative agreements. To do this, OIG reviewed 30 MEPI awards executed during FYs 2013 and 2014.

What OIG Recommends

OIG made five recommendations to NEA to improve the performance management and oversight of MEPI awards. NEA concurred with all five recommendations, which OIG considered resolved, pending further action. NEA's response to the recommendations (see Appendix C) and OIG's replies are presented after each recommendation.

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November 2016
OFFICE OF AUDITS
Middle East Region Operations

Audit of the Bureau of Near Eastern Affairs Middle East Partnership Initiative

What OIG Found

NEA could not systematically demonstrate that MEPI was achieving its goals and objectives to promote political, economic, and social reform in the Middle East and North Africa. OIG found that NEA created performance indicators that did not facilitate decisionmaking or lacked baseline data and performance targets. Specifically, OIG found that 194 of the 357 performance indicators measured outputs—the amount of services provided—rather than outcomes, which measure the effectiveness of a program, and less than half of the indicators fully met Performance Management Guidebook criteria for indicator appropriateness. In addition, NEA staff members did not establish baselines for 114 or targets for 80 of the 357 indicators. Also, OIG verified that NEA achieved only 43 percent of performance targets. NEA officials explained that performance indicators were poorly created, in part, because the assistance award process was compartmentalized and their personnel received inconsistent training. Although NEA cited anecdotal successes for the MEPI program, it could not provide systematic evidence of MEPI's success or provide useful information to decision makers managing the multimillion-dollar program.

OIG also found that NEA did not sufficiently monitor the 30 MEPI awards. Specifically, 27 of the 30 awards reviewed did not have required monitoring plans, and the plans for the remaining 3 awards did not focus on achieving targets and objectives. Further, NEA staff members did not conduct site visits for 10 of the 30 awards, conducted only one site visit each for 18 of the 30 awards, and did not focus on whether the award recipients were achieving the award objectives during site visits. In addition, OIG found that NEA reviews of the recipients' quarterly reports often were not thorough and lacked meaningful comments: 91 of the 137 reports contained no comments or were limited to comments such as "OK" and "on track." NEA officials said that they limited the number of monitoring staff to make available more funds for the award recipients. As a result of insufficient monitoring, MEPI objectives may not be met and opportunities to correct performance challenges may be missed.

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OIG HIGHLIGHTS

AUD-MERO-17-01

November 2016
OFFICE OF AUDITS
MIDDLE EAST REGION OPERATIONS

Audit of the Department of State Vetting Process for Syrian Non-Lethal Assistance

What OIG Found

OIG found NEA and DRL did not always follow either the Department's Federal Assistance Policy Directive 2.05-B or NEA's *Syrian Opposition Vetting Guidance for Grantees*. Specifically, OIG found (1) DRL did not ensure its implementing partners submitted information on their key personnel to the Department for vetting prior to issuing the award and (2) NEA and DRL did not always ensure implementing partners submitted information on their program staff or participants to the Department for vetting prior to the start of work or participation in program activities. The implementing partners told OIG that they believed the vetting policies and guidance were not applicable in some situations. For example, one implementing partner believed that U.S. citizens were exempt from vetting, contrary to NEA's guidance. The implementing partner added that neither NEA nor DRL officials corrected their interpretations. OIG attributes the varied ways in which the bureaus and implementing partners conducted vetting to the lack of a consolidated and detailed Department-issued vetting guidance. Because some individuals were not vetted in accordance with applicable guidance, the risk that U.S. Government assistance could have been inadvertently delivered to terrorists or their supporters increased.

Bureau officials and implementing partners identified several challenges to the current vetting process. For example, officials stated that the Department does not have personnel on the ground in Syria to monitor and oversee non-lethal assistance programs. As a result, it must rely on its implementing partners to carry out its program objectives and ensure non-lethal assistance reaches its intended recipients. In addition, beginning in November 2015, the Department's vetting processing time significantly increased partly because of an increased workload coinciding with a reduction in staff at an intelligence agency the Department uses to obtain vetting information. According to the implementing partners, the delays in the vetting process have impeded the delivery of Syrian non-lethal assistance.

What OIG Audited

According to the Department of State (Department), the U.S. Government has committed more than \$400 million in non-lethal assistance to support the moderate Syrian opposition since the start of the crisis in 2011. The Department uses non-lethal assistance to provide training, equipment, and various services to enhance the stability of targeted communities or groups of people. The Department conveys this assistance to recipients through cooperative agreements and grants awarded to non-governmental implementing partners. Department and bureau policies require vetting for these awards in order to ensure the funds are not used to provide support to entities or individuals deemed to be a risk to national security. Vetting is conducted to screen individuals for derogatory information such as terrorist or extremist affiliations. The Office of Inspector General (OIG) conducted this audit to (1) determine the extent to which non-lethal assistance recipients and implementing partners' key personnel and staff were vetted in accordance with established guidance and (2) identify challenges, if any, to the effectiveness of the vetting process.

OIG reviewed the Syrian non-lethal assistance vetting process associated with five Bureau of Near Eastern Affairs (NEA) cooperative agreements; three Bureau of Democracy, Human Rights, and Labor (DRL) cooperative agreements; and six DRL grants.

What OIG Recommends

To address the deficiencies identified in this report, OIG offered nine recommendations intended to ensure that implementing partners' key personnel, staff, and program participants are vetted in accordance with the Department's policies and guidance. On the basis of responses received from NEA; DRL; the Bureau of Administration, Office of the Procurement Executive; and the Office of Management Policy, Rightsizing, and Innovation to a draft of this report (see Appendices D through G), OIG considers eight recommendations resolved and one recommendation unresolved.

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OIG HIGHLIGHTS

ISP-I-17-02

October 2016
OFFICE OF INSPECTIONS
Bureau of European and Eurasian Affairs

Inspection of Embassy Zagreb, Croatia

What OIG Found

- Embassy Zagreb operated well and pursued the Integrated Country Strategy's major policy objectives.
- The Bureau of European and Eurasian Affairs had not funded an additional ambassadorial driver position. Ambassadorial drivers were regularly on duty more than 10 hours per day.
- The embassy had not consistently completed risk assessments or developed monitoring plans for all federal assistance awards using Department-approved formats.

What OIG Inspected

OIG inspected Embassy Zagreb from May 31 through June 15, 2016.

What OIG Recommended

OIG recommended funding for an additional ambassadorial driver position to comply with Department guidance limiting the number of hours a driver can be on duty. OIG made one recommendation on grants management and one on compliance with record email guidance.

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OIG HIGHLIGHTS

ISP-I-17-01

October 2016

OFFICE OF INSPECTIONS

Bureau of European and Eurasian Affairs

Inspection of Embassy Sarajevo, Bosnia and Herzegovina

What OIG Found

- Embassy Sarajevo was a well-functioning mission that pursued the Integrated Country Strategy's major policy objectives.
- The embassy corrected internal control deficiencies in human resources, general services, and information management during the inspection.

What OIG Inspected

OIG inspected Embassy Sarajevo and Branch Offices in Banja Luka and Mostar from May 10 to May 27, 2016.

What OIG Recommended

OIG made no recommendations but advised management on ways to tighten internal controls and enhance efficiency.

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OIG HIGHLIGHTS

ESP-16-04

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September 2016

OFFICE OF EVALUATIONS AND SPECIAL PROJECTS

Department of State Has Administrative Leave Policies but Lacks Complete and Accurate Data on the Use of Leave

What OIG Found

Administrative leave is granted to employees as an authorized absence from duty without loss of pay or use of leave for various reasons unrelated to employee conduct, such as blood donations and weather-related closures. It may also be granted to employees who are under investigation for misconduct.

At the Department of State, administrative leave can be authorized in 26 circumstances not related to conduct. Employees under investigation for misconduct may also be placed on administrative leave if their continued presence in the workplace may pose a threat to the employee or to others, may result in loss of or damage to government property, or may otherwise jeopardize legitimate government interests. Conduct-related administrative leave over 16 hours may only be granted by the Deputy Assistant Secretary of Human Resources.

OIG intended to determine the amount of administrative leave used by Department employees from January 2011 to January 2015 and the circumstances surrounding the use of such leave. However, the Department did not provide OIG with sufficient data to make these determinations. Consequently, OIG is unable to make any assessments about the Department's use of administrative leave. OIG identified two key deficiencies in the data the Department provided: (1) the Department lacks a centralized source of information regarding the justification for why administrative leave is granted and (2) HR data on the hours of administrative leave used conflicts with data from individual employing offices.

What OIG Evaluated

In response to a request from Congress, the Office of Inspector General (OIG) evaluated the use of administrative leave at the Department of State (Department). The objectives of this evaluation were (1) to describe the Department's administrative leave policies and (2) to determine the amount of administrative leave Department employees used from January 2011 to January 2015 and the circumstances surrounding the use of such leave.

What OIG Recommends

OIG made two recommendations to the Department to ensure that its new payroll systems can collect information regarding the justification for granting administrative leave and to identify and remedy the causes of the discrepancy with its administrative leave records.

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OIG HIGHLIGHTS

September 2016
OFFICE OF INSPECTIONS
Bureau of Western Hemisphere Affairs

Inspection of Embassy Port of Spain, Trinidad and Tobago

ISP-I-16-29A

What OIG Found

What OIG Inspected

OIG inspected the U.S. Embassy in Port of Spain from February 24 to March 11, 2016.

What OIG Recommended

OIG made 10 recommendations to Embassy Port of Spain to improve management operations and internal control.

- Embassy Port of Spain's chancery building was inadequate for secure diplomatic operations.
- Under the direction of the Management Officer, internal controls and customer service had improved.
- The Consular Section did not comply with Department of State procedures on processing visa referral cases.
- Embassy Port of Spain did not comply with Department of State and Federal regulations on records management.
- Despite inadequate network infrastructure throughout the chancery and the two annex buildings, the information management staff received high marks for computer services in the Department of State's 2015 annual customer satisfaction survey.

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September 2016
OFFICE OF INSPECTIONS
Domestic Operations

Inspection of the Bureau of Diplomatic Security, Threat Investigations and Analysis Directorate

What OIG Found

- The Threat Investigations and Analysis Directorate was accomplishing its stated mission “to protect life safety.”
- The Directorate’s decision to shift to a proactive approach to threat management expanded its mission and workload without a commensurate increase in human resources.
- Coordination and communication were effective at senior levels of the Threat Investigations and Analysis Directorate, but senior managers did not communicate consistently with mid-level staff members, adversely affecting the Directorate’s ability to efficiently meet its defined objectives and goals.

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OIG HIGHLIGHTS

ISP-I-16-28A

What OIG Inspected

OIG inspected the Bureau of Diplomatic Security, Threat Investigations and Analysis Directorate, from February 5 to March 7, 2016.

What OIG Recommended

OIG made five recommendations to the Bureau of Diplomatic Security to improve operations and internal control in the Threat Investigations and Analysis Directorate.



OIG HIGHLIGHTS

AUD-CGI-16-48

What OIG Audited

OIG conducted this audit to determine whether Department of State (Department) travel card holders (1) obtained cash advances in accordance with regulations, (2) used their Government-issued card only for purchases allowed by laws and regulations, and (3) obtained and used their Government-issued card for travel expenses in accordance with regulations. OIG also addressed whether the Bureau of the Comptroller and Global Financial Services (CGFS) closed travel card accounts in a timely manner when employees were separated from service.

What OIG Recommends

OIG made seven recommendations to improve internal controls for the Department's Travel Card Program by developing or clarifying related policies, changing certain existing procedures, and developing new procedures, such as for applying disciplinary actions uniformly to employees who misuse or abuse their travel cards.

CGFS concurred with six of the recommendations offered. OIG considers these recommendations resolved, pending further action. OIG considers one recommendation pertaining to administrative and disciplinary procedures for the Travel Card Program unresolved and has redirected this recommendation, as requested by CGFS, to the Bureau of Human Resources. Management responses and OIG's reply follow each recommendation in the Audit Results section of this report. CGFS's response to a draft of this report is reprinted in its entirety in Appendix E.

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September 2016

OFFICE OF AUDITS

Contracts, Grants, and Infrastructure Division

Audit of the Department of State Travel Card Program

What OIG Found

OIG found that travel card holders did not always obtain cash advances in accordance with Department regulations. Specifically, OIG identified 255 travel card holders who obtained 2,051 cash advances, valued at \$847,189, without a travel authorization, which is contrary to Department regulations. This occurred, in part, because the Department had not developed specific policies for travel card cash advances, which puts the Department at risk, since it is responsible to Citibank should card holders default on travel card payments.

OIG also identified 1,306 travel card transactions that occurred in FY 2014 and FY 2015, valued at approximately \$222,348, that were spent at prohibited or questionable merchants, such as physicians and charitable organizations. One reason this occurred was because the Department had not reviewed or updated its list of prohibited merchant categories. The lack of controls may allow travel card holders who misuse the travel card to go undetected. In addition, the Department had not developed or imposed administrative and disciplinary procedures, as prescribed in the *Government Charge Card Abuse Prevention Act of 2012*, to prevent travel card abuse.

Additionally, OIG found that employees who travelled more than two times in a 12-month period did not always have a Department-issued travel card, as required. One reason this occurred was because the Department did not have a method to identify and enforce compliance with this requirement. As a result, the Department could have received additional sales refunds had these 2,400 individuals used a Department-issued travel card to pay an estimated \$10,133,051 in official travel expenses.

Furthermore, OIG identified 96 individuals who still had active travel card accounts after separation, including 16 individuals who completed 247 transactions, valued at approximately \$63,886, after they separated from the Department. This occurred, in part, because the Department's policies need to be updated. Former employees with active travel cards may misuse the travel cards and the Department would have little recourse against them.

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OIG HIGHLIGHTS

AUD-SI-16-43

What OIG Evaluated

In March 2013, the Office of Inspector General (OIG) reported^a that the Department of State (Department) had generally adopted classification policies, procedures, rules, and regulations prescribed by Executive Order 13526.^b However, in that report, OIG identified instances where the Department did not effectively follow and administer certain requirements.

The objective of this compliance follow-up review was to determine whether the actions taken by the Bureau of Administration and other responsible bureaus fully addressed the deficiencies identified in the March 2013 report. OIG conducted this review pursuant to the Reducing Over-Classification Act of 2010.^c

What OIG Recommends

OIG is modifying and reissuing one recommendation from its March 2013 report and, to advance the Department's compliance with Executive Order 13526, is making seven new recommendations. OIG received responses to the draft report from the Bureau of Administration and the Bureau of Information Resource Management (see Appendices C and D, respectively). Based on the responses, OIG considers one recommendation closed; six recommendations resolved, pending further action; and one recommendation unresolved. Management responses and OIG replies are presented after each recommendation. The Foreign Service Institute also provided general comments (see Appendix E), which OIG incorporated into the report as appropriate.

^a OIG, *Evaluation of Department of State Implementation of Executive Order 13526, Classified National Security Information* (March 2013, AUD-SI-13-22).

^b Classified National Security Information, December 29, 2009.

^c Pub. L. No. 111-258, 124 Stat. 2648 (2010).

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September 2016

OFFICE OF AUDITS

Security and Intelligence Division

Compliance Follow-up Review of the Department of State's Implementation of Executive Order 13526, Classified National Security Information

What OIG Found

OIG found that most of the Department's security-cleared employees had not taken the training required by Executive Order 13526. Based on training records obtained from the Foreign Service Institute, OIG found that less than 14 percent of security-cleared employees had completed the required training within the timeframe considered in this review. Moreover, only 20 percent had completed the training even one time since the outset of the training program. In addition, the Department had not implemented the sanction provision in the Executive Order that suspends an individual's classification authority until training is completed. These conditions occurred in part because the Bureau of Administration had not provided adequate guidance to the Department's bureaus specifying how the process for suspending classification authority should work. When Department employees and contractors are unaware of classification standards and no mechanism is in place to enforce training requirements, there is an increased risk that information could be incorrectly marked, misclassified, and/or improperly restricted or disseminated.

OIG also found that although the Department updated the version of the Classified State Messaging Archive and Retrieval Toolset (SMART-C), as recommended in OIG's March 2013 report, the current version allows a user to classify information as an original classifier when the user does not have that authority. Further, technical difficulties have afflicted SMART-C, which have impacted its availability on the classified email system. Both of these situations can lead to over-classification or misclassification of information. OIG confirmed that the Bureau of Administration had established a process to self-inspect its classification program, as required by Executive Order 13526. However, in a self-inspection completed in December 2014, the Bureau of Administration did not include a representative sample of all classified documents because it had not captured all classified documents during its annual count of classification decisions and had not fully determined which bureaus had collections of classified documents. In addition, Bureau of Administration officials acknowledged that they lacked the resources necessary to fully comply with the requirements of Executive Order 13526.

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OIG HIGHLIGHTS

ISP-I-16-27

September 2016
OFFICE OF INSPECTIONS
Bureau of Western Hemisphere Affairs
Inspection of Embassy Quito, Ecuador

What OIG Found

- The Ambassador's and the Deputy Chief of Mission's leadership and engagement during the volcanic activity of Cotopaxi in 2015 demonstrated their commitment to the security and welfare of the mission.
- Public Affairs Section grants files did not comply with Department of State guidance on the administration of Federal assistance awards.
- Mission Ecuador lacked an effective records management program.
- The mission's end-use monitoring rate in 2015 was the third lowest of the 70 posts required to monitor items donated to host governments.
- An imbalance in the allocation of public affairs resources limited outreach capacity at Consulate General Guayaquil.
- Embassy Quito and Consulate General Guayaquil integrated mission-wide consular activities.
- Mission Ecuador's professional development programs built key skills and improved integration of all mission elements.
- Embassy Quito's termination process for locally employed staff members was not in accordance with local labor law.

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OIG HIGHLIGHTS

AUD-MERO-16-50

What OIG Audited

Congress included Section 846 in the National Defense Authorization Act for Fiscal Year 2013 (NDAA-13) to address concerns that operational and political risks associated with contractor performance in overseas contingency operations were not being adequately addressed. The statute requires the Department of State (Department) to conduct comprehensive risk assessments and develop a mitigating action for each high-risk area identified whenever contractors are involved in supporting overseas contingency operations. The Department created an office, the Critical Environment Contracting Analytics Staff (CECAS), and assigned it responsibility for developing, coordinating, and implementing the risk assessments and the mitigation plans.

The Office of Inspector General (OIG) conducted this audit to determine whether CECAS and the applicable stakeholders—the Bureau of Diplomatic Security and regional bureaus—conducted risk assessments, identified high-risk areas, and developed a corresponding mitigating action for each high-risk area identified for operational and political risks associated with contractor performance supporting contingency operations in Afghanistan and Iraq in accordance with the requirements and intent of Section 846.

What OIG Recommends

OIG made two recommendations to the Bureau of Administration, Office of Logistics (A/LM) to address the deficiencies identified in this report. Based on A/LM's response to a draft of this report (see Appendix F), OIG considers both recommendations resolved, pending further action. A/LM's response to the recommendations and OIG's replies follow each recommendation in the Audit Results section of this report.

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September 2016
OFFICE OF AUDITS
Middle East Region Operations

Additional Actions Are Needed To Fully Comply With Section 846 of the National Defense Authorization Act for Fiscal Year 2013 Concerning Critical Environment Contracting

What OIG Found

OIG reviewed the Department's risk assessments for Afghanistan and Iraq and nine risk mitigation plans to determine whether all high-risk areas identified had corresponding mitigating actions as required by Section 846. OIG found that CECAS and the stakeholders conducted comprehensive risk assessments for the two countries and identified high-risk areas that met Section 846 requirements. In total, the assessments identified 32 high-risk areas for Afghanistan and 52 high-risk areas for Iraq.

However, OIG's review of the risk mitigation plans found that CECAS and the stakeholders did not always develop mitigating actions for each high-risk area identified, as required by Section 846. Specifically, OIG could not identify mitigating actions for 14 of the 32 high-risk areas in Afghanistan and 32 of the 52 high-risk areas in Iraq. Of the high-risk areas for which mitigating actions were identified, most pertain to contractor safety. Other high-risk areas, such as the Government's oversight of contractor operations, received less attention. According to CECAS officials, mitigating actions were not developed for all high-risk areas identified because CECAS determined that some were outside the scope of the Section 846 requirements and some were not applicable to specific contracts. In addition, CECAS concluded some were Department-wide issues that were beyond its authority to resolve.

Section 846 also requires that each risk mitigation plan include measurable milestones for implementing the mitigating actions and a process for monitoring, measuring, and documenting progress of each mitigating action. However, OIG found that none of the mitigation plans reviewed had measurable milestones or identified a process for monitoring, measuring, and documenting progress. Although CECAS was responsible for developing, coordinating, and implementing the mitigation plans, CECAS believed that it was not responsible for the milestones and oversight processes. A May 2016 revision to 14 Foreign Affairs Manual 240 clarified that, although CECAS is responsible for coordinating the mitigation plans that include these requirements, the funding bureau or program office involved is responsible for developing the milestones and the oversight processes. Notwithstanding this clarification, as of May 2016, the mitigation plans have no milestones, nor do they identify processes for monitoring and measuring progress. As a result, the Department does not have evidence that its risks associated with contractor performance in Afghanistan and Iraq are effectively mitigated to the fullest extent.

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OIG HIGHLIGHTS

AUD-SI-16-49

What Was Audited

The Bureau of Political-Military Affairs (PM) provides policy direction in the areas of international security, security assistance, military operations, defense strategy and plans, and defense trade. PM awards grants and cooperative agreements to facilitate its mission. The majority of PM's awards relate to humanitarian demining programs, which involve the removal of land mines and other remnants of war.

Acting on the Office of Inspector General's (OIG) behalf, Kearney & Company, P.C. (Kearney), an independent public accounting firm, conducted this audit to determine the extent to which (1) PM's grantees claimed expenses that were allowable, allocable, reasonable, supported, and made in accordance with Federal requirements; and (2) the unliquidated obligations (ULO) associated with PM's grants and cooperative agreements remain valid.

What OIG Recommends

OIG made three recommendations to address the deficiencies noted in this report relating to PM's grant monitoring process, as well as \$2.8 million in identified questioned expenditures that were either unsupported or unallowable costs, and \$2.6 million in statistically projected questioned costs. Based on the response from PM, OIG considers two recommendations unresolved and one recommendation closed.

PM's comments are included in this report in their entirety as Appendix B.

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September 2016

OFFICE OF AUDITS

Security and Intelligence Division

Audit of the Bureau of Political-Military Affairs Federal Assistance Awards

What Was Found

Kearney found that \$2.8 million (18 percent) of \$15.8 million in grant expenditures tested for this audit were unsupported or unallowable, as defined by Federal policies. These questioned costs occurred, in part, because PM's grants monitoring process was not sufficiently designed to prevent or detect unallowable and unsupported costs. PM did not independently verify that all award recipients have sufficient financial management controls in place to prevent unsupported and unallowable costs. Further, during site visits, PM did not review recipient expenditures as recommended by Department guidance. Without reviews of recipient expenditures, it is difficult for PM to ensure grantees are performing the activities that are being funded. Further, the funds expended on questioned costs may have been put to better use.

In addition, because of PM's lack of oversight of grantees, it is difficult for PM to ensure that award recipients are using funds to support PM's overall mission and programs. Moreover, when the questioned costs identified are extrapolated over the 18 sampled grants and cooperative agreements, Kearney estimates a total of \$4.6 million may be unallowable and unsupported. Further, Kearney believes that there is a likelihood that unallowable and unsupported costs exist in some other PM grants outside the scope of this audit.

ULOs represent the cumulative amount of orders, contracts, and other binding agreements for which the goods and services ordered have not been received, or the goods and services have been received but payment has not yet been made. With respect to ULOs associated with PM's grants, Kearney selected a sample of 49 ULOs to review from a population of 181 ULOs as of October 31, 2015. Kearney did not identify any invalid ULOs as a result of its test work. According to PM officials, PM had no invalid ULOs because Program Managers, who have direct knowledge of award status, review ULOs monthly. In addition, the Grants Officer verifies the status of all ULOs. In cases where a grant's period of performance has ended, PM will promptly adjust the obligation. PM self-identified 17 ULOs that needed adjustment because the period of performance had ended. Therefore, Kearney concludes that PM is in compliance with Department policy regarding obligation management.

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OIG HIGHLIGHTS

September 2016
OFFICE OF INSPECTIONS
Bureau of Western Hemisphere Affairs

Inspection of Consulate General Curacao, Kingdom of the Netherlands

ISP-I-16-26A

What OIG Found

What OIG Inspected

OIG inspected Consulate General Curacao from February 29 to March 10, 2016.

OIG made eight recommendations to improve Consulate General Curacao's operations and internal controls. OIG also made one recommendation to the Bureau of Human Resources to authorize a comprehensive salary and benefit survey to evaluate the validity of the consulate general's local compensation plan.

- Effective interagency cooperation facilitated Consulate General Curacao's attainment of key Integrated Country Strategy goals in the Dutch Caribbean.
- The small size of the consulate general created inherent internal control vulnerabilities.
- Advancing mission objectives in the Dutch Caribbean required working with three separate political entities, which increased the workload of Consulate General Curacao's staff.
- The consulate general used record e-mails for some reports, but overall records management activities did not comply with Department of State standards.



OIG HIGHLIGHTS

ISP-I-16-25

What OIG Inspected

OIG inspected Embassy Belmopan, Belize, from February 29 to March 11, 2016.

What OIG Recommended

OIG made six recommendations to U.S. Embassy Belmopan to improve management operations and internal controls.

OIG made one recommendation to the Bureau of Human Resources to respond to the outstanding requests for proposed changes to the local compensation plan. OIG also made one recommendation to the Bureau of Information Resource Management to upgrade the ClassNet local area network.

September 2016
OFFICE OF INSPECTIONS
Bureau of Western Hemisphere Affairs

Inspection of Embassy Belmopan, Belize

What OIG Found

- Despite logistical difficulties inherent in the distance between the capital and the much larger Belize City where most government officials reside, the Ambassador had cultivated relationships with the highest levels of the Belizean Government. This enabled the mission to promote U.S. Government interests.
- The lack of internal controls over non-official use of government resources weakened safeguards against waste, loss, unauthorized use, or misappropriation of funds, property and other assets.
- The Bureau of Human Resources, Office of Overseas Employment, had not responded to three long-standing embassy requests submitted as part of the requirement to change the local compensation plan. Premium rates and use of compensatory time were inconsistent with local law and prevailing practice.
- Embassy Belmopan's ClassNet equipment and architecture were significantly outdated compared to that deployed worldwide. A planned Global Information Technology Modernization upgrade was cancelled without warning as part of a worldwide suspension of installation activities.

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OIG HIGHLIGHTS

ISP-I-16-24A

September 2016
OFFICE OF INSPECTIONS
Bureau of European and Eurasian Affairs

Inspection of Embassy Ankara, Turkey

What OIG Found

What OIG Inspected

OIG inspected the U.S. Embassy in Ankara, Turkey, from February 3 to March 22, 2016. The inspection included the U.S. Consulate General in Istanbul, the U.S. Consulate in Adana, the U.S. Consular Agency in Izmir, and the Embassy Branch Office in Gaziantep.

What OIG Recommended

OIG recommended that the Bureaus of Near Eastern Affairs and Administration reduce processing times for vetting potential assistance recipients and program personnel to conform with the Quadrennial Diplomatic and Development Review mandate to standardize risk management and mitigation. OIG also recommended that the embassy and the Bureau of Consular Affairs eliminate the backlog of Iranian immigrant visa cases. OIG made other recommendations to strengthen operations in the conduct of foreign relations, public diplomacy, consular services, and management oversight.

- The Ambassador led a mission on the front lines of the fight against the Islamic State of Iraq and the Levant, the 5-year civil war in Syria, and the related refugee crisis. He had been a key participant in the interagency policy formulation process and advanced coordination between the United States and Turkey despite strains in the relationship.
- Embassy Ankara had the fourth longest backlog world-wide in processing Iranian immigrant visas.
- Embassy Ankara and Consulate General Istanbul were not well coordinated on diplomatic engagement strategy or management oversight.
- Consulate General Istanbul's focus on a narrow range of issues and its heavy allocation of officers' time to internal meetings and visit support functions limited its effectiveness.
- The Syria Transition Assistance Response Team was an innovative approach to responding to the Syrian crisis that may be a model for operations in future high-risk environments.
- The Department of State's process for vetting program personnel and recipients of the Syria Transition Assistance Response Team's non-humanitarian aid impeded the delivery of high-priority assistance in Syria.

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September 2016
OFFICE OF INSPECTIONS

U.S. International Broadcasting to Egypt

What OIG Found

- The Broadcasting Board of Governors' two broadcasting operations in Egypt, the Voice of America Correspondent Cairo news bureau and the Middle East Broadcasting Networks Cairo office, supported strategic objectives outlined in the Broadcasting Board of Governor's 5-year strategic plan for 2012-2016, *Impact through Innovation and Integration*.
- The Middle East Broadcasting Networks Cairo office complied with internal administrative procedures in financial management, contracting, and property management.
- The Voice of America Correspondent Cairo news bureau's administrative operations did not comply with Broadcasting Board of Governors' policies, Federal regulations, and applicable Department of State standards in four areas: cashiering operations, contract administration, position descriptions for the locally employed staff, and inventory accountability procedures.
- The Voice of America Correspondent Cairo news bureau did not conduct fire drills as required by the Broadcasting Administrative Manual.

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



OIG HIGHLIGHTS

ISP-IB-16-23

What OIG Inspected

OIG conducted the inspection of the Voice of America and Middle East Broadcasting Networks, Inc., operations in Cairo, Egypt, from October 12 to 29, 2015.

What OIG Recommended

OIG made one recommendation for Voice of America to coordinate with Embassy Cairo to oversee cashiering operations.



OIG HIGHLIGHTS

September 2016
OFFICE OF INSPECTIONS
Bureau of Western Hemisphere Affairs

Inspection of Embassy Montevideo, Uruguay

ISP-I-16-22A

Key Findings

What OIG Inspected

OIG inspected the U.S. Embassy in Montevideo from February 9 to 23, 2016.

What OIG Recommended

OIG made two recommendations to U.S. Embassy Montevideo to improve embassy operations and internal controls.

- The Chargé d’Affaires and Acting Deputy Chief of Mission practiced and encouraged information sharing and innovation, attributes of leadership emphasized in 3 Foreign Affairs Manual 1214.
- The Consular Section met management and internal controls requirements and used innovative projects to engage with the public.
- The Public Affairs Section initiated several innovative projects. The section was in substantial compliance with Department regulations on grants.
- Embassy Montevideo did not use record emails, even when the exchanges contained information that facilitated decision making and documented policy formulation and execution.

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



OIG HIGHLIGHTS

AUD-FM-16-47

UNCLASSIFIED

September 2016

OFFICE OF AUDITS

Financial Management Division

Audit of Department of State Strategic Sourcing Efforts

What Was Found

Kearney found that the Bureau of Administration took some steps to develop a strategic sourcing program that aligned with Federal guidance and goals; however, these efforts have not been fully implemented or utilized. Specifically, the Bureau of Administration complied with OMB guidance to identify a Strategic Sourcing Accountable Official, analyze procurement patterns, identify goods or services for which strategic sourcing should be implemented (known as a "spend analysis"), and consider using Federal Strategic Sourcing Initiative programs. However, the Department did not fulfill the OMB goal for strategic sourcing, which required agencies to reduce the costs of acquiring common products and services by strategic sourcing of at least two new commodities or services in both 2013 and 2014 that yielded at least a 10 percent savings. Further, although the Bureau of Administration identified 17 categories for potential strategic sourcing, only 3 initiatives that were in effect prior to the spend analysis were fully implemented; 4 other initiatives were started but not fully implemented; and no action was taken on the remaining 10 initiatives. In addition, the Department has not taken significant steps to consider strategic sourcing opportunities overseas and has not performed specific analyses to determine whether strategic sourcing overseas would be cost beneficial. Further, for the strategic sourcing initiatives in place, domestic bureaus and offices did not always purchase goods and services through the required programs.

The Department's strategic sourcing program is not effective, in part, because the Bureau of Administration has not developed a comprehensive Department-wide strategic sourcing program plan that includes a governance structure, goals and objectives, performance measures, and a communication plan. Further, the Bureau of Administration does not sufficiently monitor strategic sourcing activities to ensure that bureaus and offices are using the initiatives that are in place.

As a result, the Department's ability to fully achieve the cost benefits of strategic sourcing is limited. Further, the Department will not be positioned to realize these potential cost savings until the Bureau of Administration places greater emphasis on maximizing strategic sourcing solutions.

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What Was Audited

According to the Government Accountability Office, Federal agencies have historically acquired goods and services in a decentralized manner, resulting in missed opportunities to leverage the government's aggregate buying power. The Office of Management and Budget (OMB) tasked Federal agencies with using "strategic sourcing"—a collaborative and structured process of critically analyzing an organization's spending patterns to leverage purchasing power, reduce costs, and improve overall performance, which enables agencies to maximize the value of each dollar spent.

The objective of this audit was to determine the extent to which the Department of State (Department) had developed and implemented a strategic sourcing program that addresses Federal strategic sourcing guidance and goals. An independent certified public accounting firm, Kearney & Company, P.C. (Kearney), acting on behalf of the Office of Inspector General (OIG), performed this audit.

What OIG Recommends

OIG made 11 recommendations to the Department to improve its strategic sourcing efforts, including the establishment of a Department-wide Strategic Sourcing Council to collaborate effectively to implement and administer strategic sourcing initiatives that are identified.

The Bureau of Administration agreed with all of the recommendations. OIG considers all recommendations resolved, pending further action. Bureau of Administration comments are reprinted in their entirety as Appendix C.



OIG HIGHLIGHTS

AUD-IT-16-46

August 2016
OFFICE OF AUDITS
Information Technology Division

(U) Audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section, Information Security Program

(U) What OIG Audited

(U) The Office of Inspector General (OIG) conducted this audit to assess the effectiveness of the International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC), information security program and whether security practices in FY 2016 complied with laws and regulations established by the Federal Information Security Management Act of 2002 (FISMA), as amended, and standards prescribed by the Office of Management and Budget (OMB) and the National Institute of Standards and Technology (NIST).

(U) In addition, OIG collected information from USIBWC regarding computer security controls for personally identifiable information (PII), as required by the Consolidated Appropriations Act, 2016, Section 406, Federal Computer Security.

(U) What OIG Recommends

(U) In the 2015 FISMA audit report, OIG made three recommendations to address the deficiencies identified during the audit. At the conclusion of fieldwork for this audit, these recommendations remained open, and OIG is making three additional recommendations in this report related to protecting PII and incident response. OIG provided USIBWC a draft of this report and requested comments, but USIBWC did not respond within the timeframe allotted for this mandated audit. Therefore, OIG considers all three newly issued recommendations unresolved, pending further action, and will monitor the implementation of all six recommendations in this report during the audit compliance process.

(U) What OIG Found:

(SBU) During FY 2016, USIBWC maintained an effective information security program for its General Support System; however, OIG found that USIBWC has not implemented controls to ensure the confidentiality and integrity of PII saved on its General Support System. Specifically, USIBWC has not deployed an encryption method to protect PII residing on its servers. Further, USIBWC has not published a notice of the Systems of Records, as required by the Privacy Act. Without adequate protection of PII data, there is increased risk that unauthorized disclosure of PII could occur.

(SBU) OIG also found that additional actions are needed to fully secure USIBWC's Supervisory Control and Data Acquisitions (SCADA) systems. Although USIBWC is taking action to improve

██████████ and FISMA compliance for its SCADA systems, as of March 2016, when OIG performed fieldwork for this audit, USIBWC had not fully implemented the improvements. According to USIBWC officials, the improvements should generally be implemented during 2016. Until an upgrade strategy, ██████████ improvements are implemented, the confidentiality, integrity, and availability of the SCADA systems will remain at increased risk.

(SBU) OIG is also reporting required information related to USIBWC's computer security controls for covered systems. OIG provided information on USIBWC's logical access controls and practices as well as multi-factor authentication. OIG found that USIBWC established and maintained an inventory of systems but did not implement data loss prevention or digital rights management technological solutions.

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



OIG HIGHLIGHTS

ISP-I-16-21A

What OIG Inspected

OIG inspected U.S. Embassy Tegucigalpa from February 3 to 25, 2016.

What OIG Recommended

OIG made 8 recommendations to Embassy Tegucigalpa to improve management operations and internal controls.

OIG also made one recommendation to the Department's Bureau of Information Resource Management to complete the installation of the private branch exchange system.

August 2016

OFFICE OF INSPECTIONS

Bureau of Western Hemisphere Affairs

Inspection of Embassy Tegucigalpa, Honduras

Key Findings

- Embassy Tegucigalpa was a well-functioning mission, with leadership focused on advancing U.S. interests and maintaining a collegial atmosphere.
- The embassy did not conduct risk assessments or develop monitoring plans for its public affairs Federal assistance awards, leaving the U.S. Government vulnerable to loss.
- The International Narcotics and Law Enforcement section was not appropriately staffed. The embassy was finalizing plans to engage U.S. direct-hire, eligible family member, and locally employed staff to improve program continuity and increase oversight.
- The embassy lacked sufficient internal controls in four areas related to travel advances, overtime, night differential, and the duty officer program.
- The Political and Economic Sections did not archive non-reporting cable information. Although the embassy had recently issued a management memorandum outlining the Department's Record Email requirement and where to receive relevant training, neither section had adjusted its record keeping accordingly.

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OIG HIGHLIGHTS

AUD-CGI-16-40

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August 2016

OFFICE OF AUDITS

Contracts, Grants, and Infrastructure

Audit of the Aeromedical Biological Containment Evacuation Contracts Within the Bureau of Medical Services

What OIG Found

OIG determined that A/LM/AQM and MED generally administered and provided oversight of the aeromedical biocontainment evacuation contracts in accordance with requirements. In addition, OIG found that MED received reimbursement for non-Department aeromedical biocontainment evacuations as required. However, some internal controls regarding the administration and oversight of the aeromedical biocontainment evacuation contracts should be strengthened to ensure these weaknesses do not become deficiencies in future aeromedical evacuation missions. Specifically, OIG found weaknesses in the following areas:

- The A/LM/AQM quality assurance surveillance plans lacked a methodology to measure and document the contractor's performance, as required by the Federal Acquisition Regulation and Foreign Affairs Handbook.
- MED/Office of Operational Medicine did not adequately segregate duties over the procurement and contracting practices.
- MED does not have a method to track the usage of emergency Ebola funds.
- MED does not have a formal process in place to invoice for non-Department aeromedical biocontainment evacuations reimbursement.

These weaknesses occurred, in part, because A/LM/AQM and MED have not established and implemented formal procedures to guide the administration and oversight of these activities. Without procedures to guide MED's oversight of the aeromedical biocontainment evacuation contracts, there is increased risk that errors, irregularities, and inadequate contractor performance could go undetected. In addition, the need for formal procedures to efficiently account for emergency funds transferred to the MED Working Capital Fund, as well to report expenditures and reimbursements made to the Working Capital Fund, becomes particularly important should the demand for aeromedical biocontainment evacuations escalate in the future.

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What OIG Audited

OIG conducted this audit to determine whether (1) the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), and the Bureau of Medical Services (MED) properly administered and provided oversight of the aeromedical biocontainment evacuation contracts in accordance with requirements and (2) MED received reimbursement for non-Department of State (Department) aeromedical biocontainment evacuations as required.

What OIG Recommends

OIG made one recommendation to A/LM/AQM and three recommendations to MED to address the weaknesses identified in this report.

A/LM/AQM agreed with the one recommendation addressed to it and OIG considers that recommendation resolved, pending further action. MED neither agreed nor disagreed with the three recommendations addressed to it. OIG considers one recommendation resolved, pending further action, and two recommendations unresolved. Management responses and OIG's reply follow each recommendation in the Audit Results section of this report.

A/LM/AQM's and MED's comments are reprinted, in their entirety, as Appendix B and Appendix C, respectively.

UNCLASSIFIED

JULY 2016

OFFICE OF AUDITS

Middle East Region Operations

Audit of the Bureau of Near Eastern Affairs Financial Management of Grants and Cooperative Agreements Supporting the Middle East Partnership Initiative

What OIG Found

Kearney selected 20 MEPI grants and cooperative agreements awarded from FYs 2012–2014 valued at approximately \$18.9 million to review. From these 20, Kearney selected a sample of expenditures totaling \$6.7 million for detailed analyses. After its analyses, Kearney questioned approximately \$1.5 million in expenditures as either unsupported or unallowable.

Unsupported Costs \$1,423,118

Unallowable Costs \$ 74,820

Total Questioned Costs \$1,497,938

The unsupported and unallowable questioned costs occurred, in part, because NEA's grants monitoring process was not designed to prevent or detect unallowable and unsupported costs. Specifically, NEA did not independently verify that all award recipients had sufficient financial management controls in place to prevent unallowable and unsupported costs. Rather, NEA procedures required such verifications only for "high-risk" recipients. NEA officials had determined that the 20 awards were low risk based on results of audit reports and financial statements, among other things. However, the documentation NEA officials provided and analysis Kearney performed showed that 5 recipients did not even have A-133 audits conducted, while 6 had A-133 audits that contained findings, significant deficiencies, or questioned costs. In addition, during site visits, NEA did not consistently validate financial controls, review recipient expenditures and determine whether funds are being spent in accordance with cost principles, as recommended by the Department's Grants Policy Directives. Without procedures to monitor the financial management of award recipients, NEA cannot easily determine if funds are being spent in accordance with laws and regulations. Moreover, unallowable costs that the Department reimbursed could have been put to better use in helping MEPI's overall mission.

When these questioned costs are extrapolated over the 20 sampled grants and cooperative agreements, Kearney estimates a total of \$3.3 million may be unallowable and unsupported. Further, Kearney believes that there is a strong likelihood that unallowable and unsupported costs exist in other MEPI grants and cooperative agreements outside the scope of this review.

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OIG HIGHLIGHTS

AUD-MERO-16-42

What Was Audited

In 2002, the Department of State (Department) initiated the Middle East Partnership Initiative (MEPI). MEPI is the primary U.S. Government tool for supporting civil society in the Middle East and North Africa. The Department placed MEPI under the responsibility of the Bureau of Near Eastern Affairs (NEA). Programs implemented under MEPI aim to improve and expand civil society, economic growth, democracy, women's rights, and education. To accomplish its goals and objectives, MEPI awards grants and cooperative agreements to non-governmental organizations, private-sector organizations, academic institutions, and government institutions, both in the United States and abroad. From FY 2012 through FY 2015, Congress appropriated approximately \$253.3 million for MEPI.

Acting on behalf of the Office of Inspector General (OIG), Kearney & Company, P.C. (Kearney), an independent public accounting firm, conducted this audit to determine to what extent NEA ensured that grant and cooperative agreement expenditures were allowable, allocable, reasonable, supported, and made in accordance with the terms and conditions of the award agreement.

What OIG Recommends

OIG made four recommendations to address approximately \$1.5 million in questioned costs and improve NEA's monitoring of grants expenditures. NEA concurred with three recommendations and did not concur with one recommendation. NEA's response to the report is reprinted in full in Appendix B.



OIG HIGHLIGHTS

ISP-C-16-20

July 2016

OFFICE OF INSPECTIONS

Bureau of International Narcotics and Law Enforcement Affairs

Compliance Follow-up Review of the Bureau of International Narcotics and Law Enforcement Affairs

What OIG found

- OIG determined that the Bureau of International Narcotics and Law Enforcement Affairs had implemented 27 of the 28 recommendations issued in the September 2014 inspection report as of the beginning of this Compliance Follow-up Review.
- OIG found that the Bureau of International Narcotics and Law Enforcement Affairs had made progress tracking Department-mandated training requirements but had not addressed discretionary training related to job performance and professional development.
- The Department's budgeting and accounting systems are not designed to manage foreign assistance. As a direct consequence, the Bureau of International Narcotics and Law Enforcement Affairs staff is required to engage in time-consuming, inefficient, and parallel processes to track the bureau's finances. OIG issued a Management Assistance Report in 2015 that placed responsibility for addressing this systemic problem with the Department rather than individual bureaus and included a recommendation that the Department develop a comprehensive plan to address foreign assistance tracking and reporting requirements.

What OIG Inspected

OIG conducted a Compliance Follow-up Review of the Bureau of International Narcotics and Law Enforcement Affairs from January 4 to February 19, 2016.

What OIG Recommends

OIG revised and reissued one recommendation that addressed the need to establish and track training requirements for program officers and financial management analysts.

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OIG HIGHLIGHTS

AUD-MERO-16-41

What OIG Audited

On behalf of the Department of Defense, the Department of State (Department) awarded two task orders to PAE Government Services, Inc. (PAE) under the Operations and Maintenance Support Services (OMSS) contract in Iraq for the revitalization, transition, and sustainment of the Union III Compound in Baghdad, Iraq.

OIG conducted this audit to determine whether Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM) and the Bureau of Near Eastern Affairs (NEA) were administering and overseeing the task orders for the Union III Compound, awarded under the OMSS contract, in accordance with acquisition regulations and Department requirements.

What OIG Recommends

OIG made four recommendations to NEA to improve its oversight processes for the Union III Compound task orders, to include developing a performance work statement and quality assurance surveillance plan in accordance with acquisition regulations. OIG made six recommendations to A/LM/AQM, including taking action to definitize the task orders, recovering approximately \$500,000 in unallowable contractor fees paid to PAE, and properly designating oversight personnel. Based on responses received from NEA and A/LM to a draft of this report (see Appendices C and D, respectively), OIG considers seven recommendations resolved and three recommendations unresolved. Bureau responses and OIG replies are presented after each recommendation in the Audit Results section of this report.

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July 2016

OFFICE OF AUDITS

Middle East Region Operations

Audit of Task Orders for the Union III Compound Awarded Under the Operations and Maintenance Support Services Contract

What OIG Found

A/LM/AQM and NEA officials did not adequately plan for oversight activities of the Union III Compound task orders awarded under the OMSS contract. This occurred, in part, because A/LM/AQM and NEA personnel did not implement requirements prescribed in Federal regulations and Department policies for proper and adequate oversight of these task orders. Specifically, A/LM/AQM and/or NEA officials did not:

- prepare a comprehensive performance work statement;
- develop a comprehensive quality assurance surveillance plan specifically tailored to conduct quality assurance and surveillance procedures at the Union III Compound;
- formally and consistently assign oversight personnel;
- develop and implement a process to ensure that personnel properly conducted oversight activities or adequately documented PAE's performance.

In addition, A/LM/AQM did not comply with negotiated schedules to definitize—that is, finalize the contractual terms and price—the task orders to comply with statutory and Department requirements to definitize the Union III Compound task orders within 180 days or prior to PAE completing 40 percent of the work to be performed, whichever occurs first. As of March 15, 2016, task orders SAQMMA15F0567 and SAQMMA15F1245 exceeded the authorized 180-day definitization period by 245 days and 146 days, respectively, and exceeded the 40 percent of work performed date by 257 and 166 days, respectively.

Further, NEA approved invoices for payment under task order SAQMMA15F1245 that included unallowable contractor fees representing 7 percent of the total invoiced amount, totaling \$381,658. After OIG brought this issue to the Department's attention, NEA identified an additional \$122,341 in unallowable contractor fees paid to PAE against task order SAQMMA15F1246. As a result, the Department paid PAE \$503,999 in contractor fees deemed unallowable.

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OIG HIGHLIGHTS

View Report: [ISP-I-16-19A](#).

What OIG Inspected

OIG inspected the U.S. Embassy in Kinshasa, Democratic Republic of the Congo, from October 13 to November 2, 2015.

What OIG Recommended

OIG made recommendations to U.S. Embassy Kinshasa to strengthen management control procedures in the areas of purchase card oversight, time and attendance accountability, separation of duties, IT deficiencies, and operations in the City of Goma.

OIG also made recommendations designed to bring public diplomacy in line with Department standards and to ensure that the embassy is capable of responding to emergencies.

~~SENSITIVE BUT UNCLASSIFIED~~

June 2016

OFFICE OF INSPECTIONS

Bureau of African Affairs

Inspection of Embassy Kinshasa, Democratic Republic of the Congo

What OIG Found

- Mission leadership has not consistently communicated clear expectations of behavior and conduct to mission employees.
- Embassy Kinshasa is effectively focused on the three priority goals of its Integrated Country Strategy: peace and security, democracy and governance, and economic development and growth.
- The Government of Democratic Republic of the Congo changed regulations governing international adoptions, preventing Americans from taking their adopted children home. Resolving this issue has become an unplanned embassy priority.
- The embassy is not adequately prepared to respond to a man-made crisis or a natural disaster in Democratic Republic of the Congo or in a neighboring country.
- Built in 1950, the chancery has outlived its usefulness. Security upgrades and haphazard additions make it inadequate for mission needs.
- The Congo-American Language Institute provides the embassy an effective means of promoting its Integrated Country Strategy goals to groups otherwise beyond the mission's reach.



OIG HIGHLIGHTS

ISP-C-16-18

MAY 2016
OFFICE OF INSPECTIONS
Bureau of Diplomatic Security

Compliance Follow-up Review of the Inspection of the Bureau of Diplomatic Security, High Threat Programs Directorate

Key Findings

What OIG Inspected

OIG conducted a Compliance Follow-up Review of the Bureau of Diplomatic Security, High Threat Programs Directorate from February 2 to 22, 2016.

What OIG Recommended

OIG reissued 3 of the 22 recommendations issued in the original report.

The reissued recommendations include establishing Memoranda of Understanding with U.S. military commands for all liaison positions; revising the Foreign Affairs Manual to include guidance for Post Security Program Reviews specific to high threat posts; and undertaking a comprehensive review of the structure, management, and manpower needs of the High Threat Programs Directorate and making adjustments as necessary.

- OIG determined that the Bureau of Diplomatic Security and other bureaus had implemented 19 of the 22 recommendations issued in the report of the Inspection of the Bureau of Diplomatic Security, High Threat Programs Directorate as of the completion of this Compliance Follow-up Review.
- The Bureau of Diplomatic Security, the Office of the Legal Adviser, and the Bureau of Human Resources had not established Memoranda of Understanding with U.S. military commands for three liaison officer positions. Department policy requires Memoranda of Understanding for Department detailees to other agencies.
- The Bureau of Diplomatic Security had not incorporated into the appropriate Foreign Affairs Manual section the changes in the Post Security Program Reviews specific to high threat posts.
- The Bureau of Human Resources had made considerable progress but had not yet completed a comprehensive review of the structure, management, and manpower needs of the High Threat Programs Directorate.



OIG HIGHLIGHTS

ESP-16-03

UNCLASSIFIED

May 2016

OFFICE OF EVALUATIONS AND SPECIAL PROJECTS

Office of the Secretary: Evaluation of Email Records Management and Cybersecurity Requirements

What OIG Found

The Federal Records Act requires appropriate management and preservation of Federal Government records, regardless of physical form or characteristics, that document the organization, functions, policies, decisions, procedures, and essential transactions of an agency. For the last two decades, both Department of State (Department) policy and Federal regulations have explicitly stated that emails may qualify as Federal records.

As is the case throughout the Federal Government, management weaknesses at the Department have contributed to the loss or removal of email records, particularly records created by the Office of the Secretary. These weaknesses include a limited ability to retrieve email records, inaccessibility of electronic files, failure to comply with requirements for departing employees, and a general lack of oversight.

OIG's ability to evaluate the Office of the Secretary's compliance with policies regarding records preservation and use of non-Departmental communications systems was, at times, hampered by these weaknesses. However, based on its review of records, questionnaires, and interviews, OIG determined that email usage and preservation practices varied across the tenures of the five most recent Secretaries and that, accordingly, compliance with statutory, regulatory, and internal requirements varied as well.

OIG also examined Department cybersecurity regulations and policies that apply to the use of non-Departmental systems to conduct official business. Although there were few such requirements 20 years ago, over time the Department has implemented numerous policies directing the use of authorized systems for day-to-day operations. In assessing these policies, OIG examined the facts and circumstances surrounding three cases where individuals exclusively used non-Departmental systems to conduct official business.

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What OIG Evaluated

As part of ongoing efforts to respond to requests from the current Secretary of State and several Members of Congress, the Office of Inspector General (OIG) reviewed records management requirements and policies regarding the use of non-Departmental communications systems. The scope of this evaluation covers the Office of the Secretary, specifically the tenures of Secretaries of State Madeleine Albright, Colin Powell, Condoleezza Rice, Hillary Clinton, and John Kerry.

This report (1) provides an overview of laws, regulations, and policies related to the management of email records; (2) assesses the effectiveness of electronic records management practices involving the Office of the Secretary; (3) evaluates compliance with records management requirements; and (4) examines information security requirements related to the use of non-Departmental systems.

What OIG Recommends

OIG makes eight recommendations. They include issuing enhanced and more frequent guidance on the permissible use of personal email accounts to conduct official business, amending Departmental policies to provide for administrative penalties for failure to comply with records preservation and cybersecurity requirements, and developing a quality assurance plan to address vulnerabilities in records management and preservation. The Department concurred with all of OIG's recommendations.



OIG HIGHLIGHTS

AUD-CGI-16-34

UNCLASSIFIED

May 2016

OFFICE OF AUDITS

Contracts, Grants, and Infrastructure Division

Audit of Time and Material Expenses and Performance Incentive Payments Under the Bureau of Information Resource Management, Vendor Management Office Vanguard Program

What Was Audited

Acting on the Office of Inspector General's (OIG) behalf, Kearney & Company, P.C. (Kearney), an independent public accounting firm, conducted this audit to determine whether (1) time and material (T&M) expenses for the Vanguard Program were allowable and supported and (2) performance incentive payments were made in accordance with the terms and conditions of the contract.

The Vanguard Information Technology Consolidation Program is a Department of State (Department) initiative to consolidate and centralize all IT service contracts under the umbrella of one performance-based contract with multiple task orders.

What OIG Recommends

OIG made seven recommendations to the Bureau of Information Resource Management (IRM) and one recommendation to the Bureau of Administration to address \$567,071 in questioned costs and improve the Department's review process for invoices submitted under the Vanguard Information Technology Consolidation Program.

IRM and the Bureau of Administration concurred with the recommendations. OIG considers five of the eight recommendations resolved, pending further action, and three recommendations unresolved. Management responses and OIG replies are presented after each recommendation in the Audit Results section of this report.

IRM's and the Bureau of Administration's comments to a draft of this report are reprinted in Appendix B and Appendix C, respectively.

What Was Found

Kearney found that T&M expenses were generally allowable according to the terms of the Vanguard Program task orders and Federal and Department guidance. However, Kearney questions \$560,486 in expenses that were not adequately supported. The \$560,486 in questioned costs represents 6.5 percent of the total \$8.6 million of T&M expenses tested. One reason this occurred is that IRM did not have an adequate document retention policy. Specifically, IRM did not have clear requirements for transferring documentation to a new Contracting Officer's Representative (COR) or maintaining electronic documentation in a shared location. As a result, it is unclear that the unsupported funds paid to contractors benefited the Vanguard Program.

Kearney also found that IRM did not document that all contract employees met the requirements of billed labor categories, as required. Specifically, Kearney found that CORs were generally unaware of the requirement to validate contractor qualifications against labor categories. Because of this, the Department may be relying on an unknown level of service.

In addition, Kearney found that performance incentive payments were generally made in accordance with contract criteria. However, Kearney identified \$6,585 in unallowable performance incentive payments. The \$6,585 in unallowable performance incentive payments represents less than half a percent of the total \$3.2 million of performance incentive payments tested. This occurred, in part, because the Department has more than 300 different metrics that must be tracked to calculate performance incentive payments. In addition, the processes used by IRM employees to calculate and validate the amount of performance incentive payments are inconsistent, time consuming, and manual in nature. As a result, Department employees are spending a significant amount of time and effort tracking and administering performance incentive payments, the cost of which could potentially exceed the low dollar amount of the payments themselves (the amount of performance incentive payments is less than 1 percent of the total Vanguard Program payments).

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OIG HIGHLIGHTS

AUD-SI-16-33

April 2016
OFFICE OF AUDITS
Security and Intelligence Division

(U) Audit of Local Guard Force Contractors at Critical- and High-Threat Posts

(U) What OIG Audited

(U) OIG conducted this audit to determine whether (1) local guard force (LGF) contractors at selected critical- and high-threat overseas posts are complying with general and post orders included in the contract; (2) LGF contractors at selected critical- and high-threat overseas posts provide invoices that comply with contract requirements; and (3) regional security officers at selected critical- and high-threat overseas posts perform oversight of the LGF contract in accordance with their Contracting Officer's Representative (COR) delegation memoranda.

(U) What OIG Recommends

(U) OIG offered 18 recommendations intended to address the deficiencies identified in this report. The action entities for the recommendations include the Bureau of Administration, the Bureau of Diplomatic Security, Mission [Redacted] (b) (7)(F), Mission [Redacted] (b) (7)(F), and Mission [Redacted] (b) (7)(F).

Based on the collective responses to a draft of this report from the action entities, OIG considers 13 recommendations resolved, pending further action; 2 unresolved; and 3 implemented and closed. The action entity's response and OIG's reply follow each recommendation in the Audit Results section of this report.

(U) What OIG Found

(U) OIG found that the guards working for the four LGF contractors at eight overseas posts (in four missions) complied with, on average, greater than 90 percent of security-related guard post orders observed. However, OIG identified deficiencies that were common across two or more missions related to access control procedures, equipment, unofficial reassignment of post orders, delivery and mail screening procedures, and reporting and investigating procedures. OIG also found that some guards were not receiving a proper number of breaks. Deficiencies generally occurred due to human error, lack of refresher training, and unavailable equipment. These deficiencies, if not addressed, could negatively impact the performance of security procedures that are intended to maintain post security and are required by the LGF contract.

(U) OIG also reviewed whether contractor invoices complied with contract terms and conditions and found that three of the four LGF contractors properly submitted invoices that included appropriate supporting documentation. However, the Mission [Redacted] (b) (7)(F) LGF contractor did not adhere to the contractually required invoice format or to the schedule for submitting invoices.

(U) Finally, OIG found that assistant regional security officers (acting as CORs, alternate CORs, and Government Technical Monitors) generally conducted LGF oversight in accordance with requirements, which are to monitor, inspect, and document the contractor's performance and, when necessary, apply negative incentives for not meeting performance standards. However, OIG found that not all assistant regional security officers (1) documented the contractors' performance or (2) maintained complete COR files. As a result, oversight was not properly documented. Without a complete COR file, the Government may not have the necessary documentation to defend its position of contractor nonconformance with contract terms, potentially resulting in paying for services that do not meet contract requirements.

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OIG HIGHLIGHTS

AUD-FM-16-38

UNCLASSIFIED

May 2016

OFFICE OF AUDITS

Financial Management Division

Audit of Department of State FY 2015 Compliance With Improper Payments Requirements

What Was Found

Kearney found that the Department was in compliance with improper payments requirements for FY 2015, as presented in Table 1.

Table 1: Compliance with Improper Payment Criteria

Improper Payment Criteria	Compliance
Conducted Risk Assessment	Yes
Published Agency Financial Report	Yes
Published Estimate	Not applicable*
Published Corrective Actions	Not applicable*
Published and Met Reduction Targets	Not applicable*
Published Error Rate Less than 10 percent	Not applicable*

* These requirements apply only to agencies that have identified programs susceptible to significant improper payments.

Source: Kearney prepared using criteria from Office of Management and Budget (OMB) Circular A-123, Appendix C.

Kearney found that the Department performed the required program risk assessments in FY 2015. Specifically, the Bureau of the Comptroller and Global Financial Services (CGFS) evaluated whether or not each program subject to IPIA, as amended, had a significant legislative or funding change and performed a risk assessment, as appropriate, for each program using criteria defined by OMB. Although the Department conducted the required risk assessments for programs that experienced a significant change in funding, it could have improved its process by considering other factors as well, such as percentage change in funding. By not considering additional factors, the Department may not have identified all programs that had increased risks of improper payments because of increased funding.

In addition, the Department published its FY 2015 Agency Financial Report (AFR) on its website and that the AFR included the required improper payments disclosures. Although the AFR included the required disclosures, one disclosure was incomplete. Specifically, CGFS did not disclose the complete amount of improper payments recaptured outside its payment recapture audit activities. By not including complete information in its AFR, the Department was not providing users with complete information about its efforts related to improper payments.

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What Was Audited

In FY 2015, improper Federal payments Government-wide totaled approximately \$137 billion. The Improper Payments Information Act (IPIA), as amended, requires Federal agencies to annually identify programs and activities at high risk of improper payments and estimate the amount of improper payments, among other requirements. In addition, inspectors general are required to annually determine whether an agency is in compliance with improper payments requirements.

Acting on behalf of the Office of Inspector General (OIG), Kearney & Company, P.C. (Kearney), an independent certified public accounting firm, conducted this audit to determine whether the Department of State (Department) was in compliance with IPIA, as amended.

What OIG Recommends

In its May 2015 report *Audit of Department of State FY 2014 Compliance With Improper Payments Requirements* (AUD-FM-15-26), OIG made two recommendations to address the deficiencies identified during the audit. At the conclusion of fieldwork for this audit, both recommendations remained open. Because the recommendations have not been implemented and the findings in this report have not significantly changed, OIG is not making new recommendations but will continue to track the Department's implementation of the recommendations made previously through its audit compliance process.

The Department's comments are included in this report as Appendix B.



OIG HIGHLIGHTS

AUD-FM-IB-16-39

UNCLASSIFIED
May 2016
OFFICE OF AUDITS
Financial Management Division

Audit of Broadcasting Board of Governors FY 2015 Compliance With Improper Payments Requirements

What OIG Found

OIG found that BBG was in compliance with improper payment requirements for FY 2015, as presented in Table 1.

Table 1: Compliance with Improper Payment Criteria

Improper Payment Criteria	Compliance
Conducted Risk Assessment	Yes
Published PAR	Yes
Published Estimate	Not applicable*
Published Corrective Actions	Not applicable*
Published and Met Reduction Targets	Not applicable*
Published Error Rate Less Than 10 percent	Not applicable*

* These requirements only apply to agencies that have identified programs susceptible to significant improper payments.

Source: OIG created using criteria from Office of Management and Budget (OMB) Circular A-123, Appendix C.

OIG found that BBG complied with the requirement to perform program-specific risk assessments in FY 2015. Specifically, BBG elected to perform annual risk assessments of all key programs. BBG performed qualitative risk assessment testing for nine programs in FY 2015. BBG also performed quantitative risk assessment testing of Radio Free Europe/Radio Liberty, Middle East Broadcasting Networks, and domestic payroll as part of its rotational testing approach. The quantitative assessment found that domestic payroll was a program susceptible to significant improper payments as defined by OMB Circular A-123, Appendix C, "Requirements for Effective Estimation and Remediation of Improper Payments." BBG is required to perform additional analysis of the domestic payroll program in FY 2016 as a result of its quantitative risk assessment.

In addition, BBG disclosed required improper payments information in its FY 2015 PAR. Specifically, BBG published an FY 2015 PAR and posted that report on its public website. In accordance with OMB Circular A-136, "Financial Reporting Requirements," BBG included in its PAR the required improper payments disclosures, including a list of its programs and a description of its process to identify programs susceptible to significant improper payments, including domestic payroll.

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What OIG Audited

In FY 2015, improper Federal payments Government-wide totaled approximately \$137 billion. The Improper Payments Information Act (IPIA), as amended, requires Federal agencies to annually identify programs and activities at high risk of improper payments and estimate the amount of improper payments, among other requirements. In addition, inspectors general are required to annually determine whether an agency is in compliance with improper payments requirements.

The Office of Inspector General (OIG) conducted this audit to determine whether the Broadcasting Board of Governors (BBG) was in compliance with IPIA, as amended. Specifically, OIG determined whether BBG conducted a risk assessment for significant programs and evaluated whether BBG reported the required improper payments information in its FY 2015 Performance and Accountability Report (PAR).

What OIG Recommends

Because BBG was found to be in compliance with improper payment requirements for FY 2015, OIG is not offering recommendations as a result of this audit.

BBG's comments to a draft of this report are reprinted in Appendix B.



OIG HIGHLIGHTS

View Report: [ISP-C-16-16](#).

What OIG Inspected

OIG conducted a compliance follow-up review of the Bureau of Human Resources' implementation of the nine recommendations issued in the report Review of the Department of State Disciplinary Process (ISP-I-15-04, December 2014) from October 5 to October 28, 2015.

What OIG Recommends

OIG reissued four of the nine recommendations issued in the original report.

The reissued recommendations include updating Department guidance on disciplinary issues, implementing standard operating procedures relating to oversight of bureaus with delegated authority, implementing a recusal process for Department officials involved in the disciplinary process, and updating the instructions for the Foreign Service employee evaluation report to include supervisor responsibility to address employee misconduct.

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April 2016

OFFICE OF INSPECTIONS

Bureau of Human Resources

Compliance Follow-up Review of the Review of the Department of State Disciplinary Process

What OIG Found

- OIG determined that implementation was still pending, in varying stages, for the nine recommendations issued in Review of the Department of State Disciplinary Process, as of the beginning of this Compliance Follow-up Review.
- The Bureau of Human Resources had not updated the Civil Service and Foreign Service guidebooks to add the latest guidance and information on disciplinary issues.
- The Bureau of Human Resources had not implemented a recusal policy for its officials and those in bureaus with delegated authority.
- The Bureau of Human Resources had not implemented procedures to update delegation agreements and to establish reporting and evaluation mechanisms to monitor delegated bureaus' performance in administering disciplinary actions.



OIG HIGHLIGHTS

AUD-MERO-16-35

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April 2016

OFFICE OF AUDITS

Middle East Region Operations

Improvements Needed To Strengthen Vehicle-Fueling Controls and Operations and Maintenance Contract at Embassy Kabul, Afghanistan

What OIG Audited

In December 2010, OIG reported that an Afghan fuel vendor, National Fuels, Inc., billed Embassy Kabul for \$346,682 in fuel that it had not received.* OIG conducted this audit to determine whether U.S. Embassy Kabul had implemented adequate controls to safeguard and account for purchased fuel and whether PAE Government Services, Inc. (PAE), the embassy's operations and maintenance contractor, performed its fuel-monitoring duties in accordance with the statement of work.

What OIG Recommends

OIG made 10 recommendations to Embassy Kabul to improve fuel operations at the embassy and Camp Sullivan including increasing oversight of PAE, updating the Department's vehicle-fueling system to prevent unauthorized access to fuel and promote accountability, reviewing \$1.21 million in unsupported costs, and relocating the fueling station office on the embassy compound to a location that offers sufficient egress capacity in the event of an emergency.

Embassy Kabul agreed with five of the recommendations offered, partially agreed with four, and disagreed with one. Embassy Kabul responses to the recommendations and OIG replies are presented after each recommendation in the Audit Results section of this report. Embassy Kabul comments are reprinted in Appendix C.

* *PAE Operations and Maintenance Support at Embassy Kabul, Afghanistan* (MERO-I-11-05, December 2010).

What OIG Found

The effectiveness of controls to safeguard and account for fuel throughout the receipt and distribution process at Embassy Kabul varied. For example, for a time, the embassy was using flow meters that were not calibrated. This led the embassy to use calculations provided by the fuel vendor to reconcile the invoices it received. OIG determined that this practice may have led to the embassy being overbilled by at least \$160,000 between January 2013 and March 2014. OIG also found that four of eight controls in place at the embassy's vehicle-fueling station were ineffective and allowed for unauthorized access to fuel. Other controls to safeguard fuel, such as having updated software and hardware at the fueling station and regular analysis of fuel consumption, need improvement.

Further, the embassy paid \$1.21 million in fuel invoices without proper supporting documentation. The embassy only provided OIG with the invoices for \$1.21 million of fuel purchased, and did not provide any documentation supporting the invoice approval and payment during the audit. Although embassy officials could not locate the required documentation, the embassy's Facility Management Services; Post Support Unit in Charleston, South Carolina; or PAE personnel may have such documentation.

OIG also found that PAE staff performed an inherently governmental function by accepting the generator fuel deliveries on behalf of the embassy—in effect authorizing payment to National Fuels, Inc. The *Foreign Affairs Manual* states that a contract employee is not authorized to sign the receiving report *accepting* the property on behalf of the U.S. Government. While PAE is authorized to inspect and verify the fuel received, a U.S. Government employee must officially *accept* the fuel.

Lastly, although the embassy moved the office used at the fueling station to comply with egress standards, PAE staff must enter the old office building throughout the day to access the vehicle-fueling system computer and retrieve spare parts. As such, the egress hazard has not fully been addressed.

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OIG HIGHLIGHTS

View Report: [ISP-I-16-15A](#).

What OIG Inspected

OIG inspected the U.S. Embassy in Cairo from October 13 to November 18, 2015. Members of the team inspected the U.S. Consulate General in Alexandria on November 1 and 2, 2015.

What OIG Recommended

OIG made 20 recommendations to improve Embassy Cairo's operations and procedures. The report addresses management of foreign assistance, integration of crisis preparation across the agencies and offices, and the need for a more strategic approach to public diplomacy. The report also recommends strengthening management controls and oversight of IT operations.

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April 2016

OFFICE OF INSPECTIONS

Inspection of Embassy Cairo, Egypt

What OIG Found

- Washington credits the Ambassador and the Deputy Chief of Mission with providing clear and effective leadership to an embassy that performs well in challenging circumstances. The Ambassador has helped shape Washington's evolving policy for U.S.-Egyptian relations.
- Embassy Cairo had not fully coordinated and integrated its crisis planning nor ensured crisis training tests cross-functional aspects of its crisis plans.
- The Public Affairs Section, one of the world's 10 largest, was rebuilding after several years of disruption but has not focused on strategic planning and direction.
- The embassy was spending public diplomacy funds on events without clearly branding them as U.S. Government-sponsored activities.
- After years of limited staffing, the Consular Section had made substantial progress in re-establishing internal controls and standardizing staff training but did not devote adequate attention to ensuring efficient American citizens service delivery.
- The Management Section had made progress on strengthening oversight of internal controls, but senior managers paid insufficient attention to management controls for the purchase card program and contracts.
- Embassy Cairo information management operations lacked standard procedures and internal control to ensure effective and efficient IT and communication services.
- OIG identified \$133,200 in funds that could be put to better use by terminating leases for vacant residences in Alexandria.



OIG HIGHLIGHTS

View Report: [ISP-I-16-13A](#).

What OIG Inspected

OIG inspected the U.S. Embassy in Ashgabat from October 28 to November 17, 2015.

What OIG Recommended

OIG made 15 recommendations to U.S. Embassy Ashgabat to improve management operations and internal controls.

OIG also made one recommendation to the Department's Bureau of Overseas Buildings Operations to address seismic vulnerability.

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March 2016

OFFICE OF INSPECTIONS

Bureau of South and Central Asian Affairs

Inspection of Embassy Ashgabat, Turkmenistan

What OIG Found

- Washington end-users cite the embassy's resourcefulness and ability to convey useful reporting from Turkmenistan's repressive environment.
- Embassy leadership explicitly sets high standards for ethics and standards of conduct.
- Despite the Ambassador's emphasis on strong internal controls, OIG found several areas of embassy operations where internal controls need to be strengthened. These include IT contingency planning, information system security officer duties, and overtime use.
- The embassy stresses the importance of emergency preparedness in this seismically active area, but U.S. Government personnel occupy housing that has not been evaluated for seismic adequacy.
- Innovative Practice: The embassy includes embassy children in the Emergency and Evacuation Radio program to ensure everyone in the household understands radio equipment and network procedures.



OIG HIGHLIGHTS

View Report: [ISP-I-16-12A](#).

What OIG Inspected

OIG inspected the U.S. Embassy in Tashkent during October 2–October 26, 2015.

What OIG Recommended

OIG made 17 recommendations to U.S. Embassy Tashkent to strengthen consular management controls, expand the embassy's reporting and social media outreach, and improve interagency cooperation.

OIG made one recommendation to the Bureau of Overseas Buildings Operations to improve the seismic safety of the embassy's housing.

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March 2016

OFFICE OF INSPECTIONS

Bureau of South and Central Asian Affairs

Inspection of Embassy Tashkent, Uzbekistan

What OIG Found

- The Ambassador steers the United States-Uzbekistan engagement in constructive ways, including the signing of agreements on counter-narcotics and the U.S. Foreign Account Tax Compliance Act.
- Washington end-users uniformly expressed satisfaction with Political/Economic Section reporting that provides the information needed to understand the United States-Uzbekistan relationship.
- American and locally employed staff members in Tashkent described the Ambassador's collaborative style, interest in a variety of views, and openness to suggestions, in keeping with the Department's leadership principles.
- The Consular Section did not comply with non-immigrant visa adjudication review standards, visa referral management and referral procedures, and consular management control requirements.
- The Bureau of Overseas Buildings Operations has not addressed the seismic risk by identifying suitable housing with the lowest possible risk to life safety as required by 15 Foreign Affairs Manual 252.6. The embassy has taken steps to prepare its staff for the aftermath of a major earthquake.
- The embassy's social media outreach is limited by its reliance on English, rather than Russian- and Uzbek-language material.
- The reporting and supervisory relationships among the Centers for Disease Control and Prevention regional office, its locally employed staff, the Political/Economic Section, and the Front Office are unresolved and contentious.
- Innovative Practice: The embassy produced a no-cost and reliable short message service for employees.



OIG HIGHLIGHTS

View Report: [ISP-I-16-10](#)

What OIG Inspected

OIG conducted this evaluation in Baghdad, Iraq, from October 18, 2015, to November 10, 2015.

What OIG Recommended

OIG made recommendations to U.S. Embassy Baghdad to include public diplomacy in its Integrated Country Strategy action plan and to complete a Public Diplomacy Implementation Plan for FY 2016.

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March 2016

OIG Office of Inspections

Evaluation of Embassy Baghdad's Implementation of Line of Effort 6 in the President's Strategy to Counter ISIL: Exposing ISIL's True Nature

What OIG Found

- Embassy Baghdad's public diplomacy activities operate without formal strategic planning and goals. None of the embassy's Integrated Country Strategy goals or objectives contain language relating to public diplomacy generally or to counter-Islamic State in Iraq and the Levant messaging, specifically.
- The Department did not formally task Embassy Baghdad with specific actions under Line of Effort 6 in the counter-Islamic State in Iraq and the Levant strategy.
- The embassy focuses counter-Islamic State in Iraq and the Levant messaging on building confidence among Iraqis that the Iraqi Security Forces, with U.S. and Coalition support, can degrade and defeat the Islamic State in Iraq and the Levant. This approach involves highlighting Iraqi Security Force battlefield gains and Islamic State in Iraq and the Levant setbacks, and underscoring U.S and Coalition assistance to those efforts.
- Embassy Baghdad is focusing more resources on social media. The embassy's Facebook page expanded its audience by almost 40 percent between January and October 2015, beginning with about 250,000 followers and growing to more than 400,000.
- The embassy confronts active disinformation campaigns and residual suspicions about U.S. policy that undermine its messaging. Recent Department polling shows that about 40 percent of Iraqis believe that the United States is working to destabilize Iraq and control its natural resources and nearly a third believe that America supports terrorism in general or the Islamic State in Iraq and the Levant, specifically. About half of Iraqi Sunnis and Shia now say that they completely oppose the Global Coalition to Counter the Islamic State in Iraq and the Levant.

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OIG HIGHLIGHTS

AUD-FM-16-32

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March 2016

OFFICE OF AUDITS

Financial Management Division

Audit of the Financial Results of the Telephone, Wireless, and Data Cost Center

What Was Found

Kearney found that the TWD Cost Center collected fees in excess of the amount needed to cover the costs to sustain its operations. The total amount of revenue from FY 2010 to FY 2014 exceeded the TWD Cost Center's expenses by more than \$25 million.

One reason this occurred is that the TWD Cost Center fee-setting methodology was not effective. Specifically, the fees charged from FY 2010 to FY 2014 were established in FY 2005 and have not been updated. The Bureau of Information Resource Management was unable to provide documentation to support the fee amounts. Although the TWD Cost Center proposed an update to the fees in FY 2013, no action was taken on the effort, and no additional attempts have been made to update the fee structure, even though a significant segment of services—wireless services—are no longer handled by the TWD Cost Center.

Another cause of the issues identified with the TWD Cost Center's financial results was that Kearney identified instances where the TWD Cost Center provided services to bureaus without charging a fee. For example, the TWD Cost Center did not have an accurate inventory of data ports used by three organizations and did not charge those organizations for that service. Further, the TWD Cost Center did not have a method to charge a customer only for the cost of providing connectivity. In addition, the TWD Cost Center sometimes provided services to bureaus and offices that were not charged because accurate data to identify usage was not always available.

Without an effective fee-setting methodology, it is more difficult for the TWD Cost Center to effectively control costs, account for activities, and encourage efficiency. Additionally, charging customers for services received by others risks noncompliance with Federal appropriations law. Further, without an effective process to charge and collect fees for services rendered, revenue may not be available to cover operating costs and sustain operations in the future.

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What Was Audited

The Department of State (Department) established the Telephone, Wireless, and Data Cost Center (TWD Cost Center) to provide centralized management control over equipment, services, and maintenance for unclassified voice and data telecommunications.

Acting on the Office of Inspector General's (OIG) behalf, Kearney & Company, P.C. (Kearney), an independent public accounting firm, conducted this audit to determine whether the fees collected for the TWD Cost Center were sufficient to cover all operating costs required to sustain operations for the activity.

What OIG Recommends

OIG made six recommendations to the Department to improve the effectiveness of the TWD Cost Center's fee-setting. The Bureau of Administration concurred with Recommendations 1-4, and the Bureau of Information Resource Management (IRM) concurred with Recommendations 5 and 6. OIG considers all six recommendations resolved, pending further action.

IRM's comments are included in this report as Appendix B, and the Bureau of Administration's comments are included as Appendix C.



OIG HIGHLIGHTS

AUD-FM-16-31

What Was Audited

In FY 2014, the Department of State (Department) reported that it had spent \$1.4 billion on 83 IT investments that support Department operations, ranging from property management to passport and visa systems.

Acting on OIG's behalf, Kearney & Company, P.C. (Kearney), an independent public accounting firm, conducted this audit to determine whether the Department designed a process to select and approve IT investments in accordance with Office of Management and Budget (OMB) requirements, followed the process that it had designed to select and approve IT investments, and provided accurate and complete Exhibit 53 and Exhibit 300 reports to OMB.

What OIG Recommends

OIG made 30 recommendations intended to improve the Department's process for selecting, approving, and reporting information on IT investments. Based on the response from the Bureau of Information Resource Management (IRM), OIG considers 11 recommendations resolved, pending further action, and 19 recommendations are unresolved.

IRM's comments are included in this report as Appendix D, the Bureau of Administration's comments are in Appendix E, and the Bureau of Diplomatic Security's comments are in Appendix F.

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March 2016

OFFICE OF AUDITS

Financial Management Division

Audit of the Department of State Process To Select and Approve Information Technology Investments

What Was Found

Kearney found that IRM designed a process to select and approve IT investments in accordance with OMB requirements. However, the policy governing the process did not include a clear definition of an IT investment that complies with OMB's definition, nor did it require bureaus to assess the potential duplication of planned IT acquisitions. The policy was insufficient primarily because the Department did not have a process for IRM management to approve updates to the policy. As a result, the Department cannot ensure that IT investments are made in accordance with OMB requirements.

Kearney also found that the Department generally did not select IT investments in accordance with the process it had designed or with OMB requirements. This occurred, in part, because the Department has not put into practice sufficient Chief Information Officer authority for IT acquisitions. In addition, IRM does not have a sufficient centralized oversight process in place. Further, the Department did not implement adequate controls to assess and avoid duplicative IT investments. The Department also did not use its IT portfolio management system, iMatrix, consistently or to its full capabilities. Specifically, not all bureaus use iMatrix, and IRM does not provide open access to iMatrix information, which limits bureaus' ability to identify duplicative IT investments. Because of these issues, stakeholders lack visibility into the Department's IT portfolio, the Department made duplicative IT investments, and the Department was not well positioned to implement new mandates related to IT investments.

In addition, Kearney found that the Department did not always report to OMB accurate and complete information on its IT investments. This occurred primarily because the process to prepare the reports is manual and involves numerous users across the Department. Further, training on OMB requirements and the functionality of iMatrix was inadequate. Insufficient IRM oversight of the reporting process also contributed to incomplete and inaccurate reports. Because the reports were inaccurate and incomplete, Department stakeholders had limited ability to analyze and assess IT spending.

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OIG HIGHLIGHTS

View Report AUD-MERO-16-30

What OIG Audited

The Department awarded Task Order 8 under the Worldwide Protective Services (WPS) base contract to DynCorp International, LLC (DynCorp), on June 24, 2011. The purpose of the task order is to provide static guard and other security services for Chief of Mission personnel and facilities at U.S. Consulate Erbil. The task order's period of performance is for one base year beginning September 15, 2011, and four option years. The Department exercised only one option year. The total expended under the task order was \$160 million.

Acting on the Office of Inspector General's (OIG) behalf, Kearney & Company, P.C. (Kearney), an independent public accounting firm, conducted this audit to determine the extent to which the Department's invoice review and approval procedures are effective for ensuring the accuracy and completeness of costs.

What OIG Recommends

OIG made three recommendations to the Bureau of Administration to address \$10.8 million in questioned costs and to improve the Department's invoice review guidance. In its response (see Appendix C), the Bureau of Administration concurred with OIG's recommendations. In comments received from the Bureau of Diplomatic Security (DS) (see Appendix D), DS stated that it would assist the Bureau of Administration in implementing Recommendation 3. The bureau's responses to the recommendations and OIG's replies are presented after each recommendation.

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March 2016
OFFICE OF AUDITS
Middle East Region Operations

Audit of Bureau of Diplomatic Security Worldwide Protective Services Contract Task Order 8 – Security Services at U.S. Consulate Erbil

What OIG Found

Kearney reviewed a sample of 52 invoices, totaling \$93.3 million, that DynCorp submitted as of September 30, 2015, and is questioning \$10.8 million of the costs approved by the Contracting Officer's Representative (COR). Specifically, Kearney questions \$807,507 in costs considered unallowable based on the contract terms, applicable laws, or regulations. Kearney is also questioning \$10 million in costs not adequately supported in accordance with the contract terms.

Invoice Category	Unsupported Costs	Unallowable Costs	Total Questioned Costs
Labor	\$18,000	\$286,331	\$304,331
Training	\$6,754,766	-	\$6,754,766
Travel	\$237,160	\$4,649	\$241,809
Other Direct Costs	\$2,978,793	\$516,527	\$3,495,320
Total	\$9,988,719	\$807,507	\$10,796,226

The COR approved these costs primarily because DS did not have a sufficient process to review and approve WPS invoices. Specifically, DS did not have documented procedures for CORs to follow when reviewing and approving invoices. Additionally, DS did not provide training to CORs on how to perform an in-depth review of WPS invoices. Further, the Bureau of Administration's Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), did not formally modify the contract for instances where DS allowed DynCorp to deviate from the base contract. Finally, AQM signed and executed modifications to DynCorp's approved pricing schedules as much as a year after their stated effective dates.



OIG HIGHLIGHTS

View Report: [ISP-IB-16-08](#).

What OIG Inspected

OIG conducted the on-site inspection of the Edward R. Murrow Transmitting Station in Greenville, NC, from October 26 to October 30, 2015.

What OIG Recommended

OIG made two recommendations regarding the Edward R. Murrow Transmitting Station operations: one to the Broadcasting Board of Governors to prepare a written cost/benefit evaluation of the Edward R. Murrow Transmitting Station to determine the future of its operations and one to the International Broadcasting Bureau to upload missing performance evaluations to employees' electronic official personnel folders.

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March 2016

OFFICE OF INSPECTIONS

Broadcasting Board of Governors

Inspection of the Edward R. Murrow Transmitting Station

What OIG Found

- The Broadcasting Board of Governors Special Committee on the future of shortwave broadcasting issued the report "*To Be Where the Audience Is*," in August 2014. It concluded that the demand for shortwave broadcasting is declining in most of its audience markets. The report referred to transmission to Cuba twice, but fell short of recommending to close any Broadcasting Board of Governors shortwave transmitting stations.
- The Edward R. Murrow Transmitting Station reports to the Office of Cuba Broadcasting and Office of Technology, Services, and Innovation. The dual reporting structure has not affected operations negatively.
- Administrative operations for the Edward R. Murrow Transmitting Station were effective, except in management of human resources. Specifically, the station manager's position description was outdated and the performance evaluations record keeping did not comply with Federal regulations.
- The Edward R. Murrow Transmitting Station had effective internal controls processes in place. The Edward R. Murrow Transmitting Station management were cognizant of internal controls and provides effective oversight of operations.
- The Edward R. Murrow Transmitting Station complied with the Broadcasting Board of Governors and applicable Federal regulations for contracting, property management, and safety. The Edward R. Murrow Transmitting Station complied with the Broadcasting Board of Governors review processes for unliquidated obligations and the purchase card program.
- The security and emergency preparedness at the Edward R. Murrow Transmitting Station met the Interagency Security Committee, Office of Security, and Office of Technology, Services, and Innovation policies and standards. The employees participated in emergency drills and complete required insider threat training annually.

February 2016

OFFICE OF INSPECTIONS

Bureau of Diplomatic Security

Inspection of the Bureau of Diplomatic Security, Directorate of International Programs



OIG HIGHLIGHTS

View Report: [ISP-I-16-07](#)

What OIG Inspected

OIG inspected the Bureau of Diplomatic Security, Directorate of International Programs, during June 2 through July 2, 2015.

What OIG Recommended

OIG made three recommendations to the Bureau of Diplomatic Security that include establishing or updating memoranda of agreement between the Department and the Department of Defense pertaining to the Marine Security Guard program, issuing guidance to Chiefs of Mission on the availability of U.S. military assets during emergency situations and implementing an orientation program for directorate acquisition staff.

OIG also made two recommendations to the Bureau of Administration relating to the implementation of a service level agreement pertaining to the administration of local guard and personal protective services contracts and updating the Contractor Performance Assessment Reporting System with timely contract performance data.

What OIG Found

- Eighty-six percent of the Regional Security Officers who responded to an OIG field survey expressed satisfaction with timely guidance, direction, and coordination by the Directorate of International Programs on their behalf.
- Thirty-six percent of the Deputy Chiefs of Mission who responded to the field survey expressed satisfaction with the frequency and timeliness of communications and guidance from the Directorate of International Programs relating to Deputy Chief of Mission supervision of Regional Security Officers.
- Officials interviewed in five of the six regional bureaus stated that communications and coordination with the Bureau of Diplomatic Security have much improved in the aftermath of the attack on Benghazi in September 2012.
- The directorate is in the process of coordinating the updates of memoranda of understanding between the Department and the Department of Defense concerning Force Protection Detachments under Chief of Mission authority and the Marine Security Guard detachments.
- The Office of Acquisition Management and the Directorate of International Programs entered into an informal agreement to assign contracting officers and contracting specialists within the directorate Office of Overseas Protective Operations 8 years ago to help desk officers and acquisition management specialists oversee more than \$1.6 billion in local guard and personal protective services contracts. However, the Bureau of Diplomatic Security and the Office of Acquisition Management have no service level agreement defining the roles and responsibilities of both staffs, which has caused confusion and some misunderstanding.



OIG HIGHLIGHTS

AUD-MERO-16-28

UNCLASSIFIED
February 2016
OFFICE OF AUDITS
Middle East Region Operations

Audit of Bureau of Diplomatic Security Worldwide Protective Services Contract Task Order 3 – Baghdad Embassy Security Force

What OIG Found

Although SOC did not initially meet several contract requirements such as staffing, English language proficiency, and implementing a biometric time and attendance system, SOC executed corrective actions to address the deficiencies. Specifically, Task Order 3 required SOC to meet an initial staffing level of 986 positions, but SOC began performing the contract with less than 70% of the positions filled. The shortages occurred across labor categories including security screeners, static guards, and management positions. During our audit, the Department sent SOC a demand letter to recover \$13.6 million in deferred assessments for staffing shortages. Additionally, although the WPS base contract requires SOC to provide static security guards who meet Level 2 English language proficiency, defined as having a “limited working proficiency,” SOC employed guards who did not meet this requirement. Lastly, the WPS base contract requires SOC to establish a biometric time and attendance tracking and reporting system but SOC failed to do this initially. The Department issued multiple cure notices and deficiency letters requiring SOC to correct the deficiencies.

OIG reviewed all 1,016 invoices totaling \$466.0 million submitted by SOC as of December 31, 2014, and is questioning \$7.2 million of the costs approved by the Contracting Officer’s Representative. Specifically, OIG questions \$652,061 in costs considered unallowable based on the contract terms, applicable laws, or regulation. OIG is also questioning \$6.5 million in costs not adequately supported.

Invoice Category	Unsupported Costs	Unallowable Costs	Total Questioned Costs
Labor	\$2,911,838	\$19,787	\$2,931,625
Training	\$1,476,519	\$37,660	\$1,514,179
Travel	\$1,314,605	\$479,093	\$1,793,698
Other Direct Costs	\$840,227	\$115,521	\$955,748
Total	\$6,543,189	\$652,061	\$7,195,250

What OIG Audited

The Department of State (Department) awarded Task Order 3 under the Worldwide Protective Services (WPS) base contract to SOC, LLC (SOC) on September 29, 2010. The purpose of the task order is to provide static guard and emergency response services for U.S. Embassy Baghdad. The task order’s period of performance is for one base year beginning July 21, 2011, and four option years. The task order is currently valued at approximately \$909 million.

OIG conducted this audit to determine whether the Department is managing and overseeing Task Order 3 in accordance with Federal and Department regulations and guidelines. Specifically, the objective of the audit was to determine the extent to which (1) SOC performed in accordance with the contract terms and conditions; and (2) the Department appropriately reviewed and approved invoices.

What OIG Recommends

OIG made three recommendations to address \$7.2 million in questioned costs and improve the Department’s invoice review process, and one recommendation to recover \$13.6 million in deferred assessments for staffing shortages. OIG made three recommendations to the Bureau of Administration (A) and one to the Bureau of Diplomatic Security (DS). Both bureaus concurred with the recommendations offered. Bureau responses to the recommendations and OIG replies are presented after each recommendation in the Audit Results section of this report. A and DS comments are reprinted in Appendices C and D, respectively.

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

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OIG HIGHLIGHTS

February 2016
OFFICE OF INSPECTIONS
Domestic Operations

Inspection of the Bureau of Energy Resources

View Report: [ISP-I-16-06](#)

What OIG Inspected

OIG inspected the Bureau of Energy Resources from April 20 to June 24, 2015.

What OIG Recommended

The OIG team made 14 recommendations to the Bureau of Energy Resources to address leadership, communications, structural, staffing, and security issues. The majority of OIG's recommendations focus on the need to improve internal management procedures and the bureau's organization.

What OIG Found

- Since its establishment in late 2011, the Bureau of Energy Resources has made itself the center for energy diplomacy and the action office for energy security issues in the Department. It has contributed to important U.S. policy deliberations and initiatives.
- The Special Envoy's substantive knowledge, tactical skills and advocacy have strengthened the bureau's leadership role in energy diplomacy.
- Extended absences of senior officials for official travel, leave, and telework have been detrimental to ENR's operational effectiveness.
- Weak institutional procedures, in particular information sharing and communication, as well as the bureau's organizational structure hamper internal operations and coordination with bureau partners.
- The strategic planning process is not inclusive and lacks rigorous prioritization of objectives.
- The Bureau of Energy Resources is building a cadre of experienced and knowledgeable energy officers through its training programs and seminars.
- The Bureau of Energy Resources lacks an effective security program to ensure the protection of sensitive information.

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OIG HIGHLIGHTS

[View Report](#)

January 2016

OFFICE OF EVALUATIONS AND SPECIAL PROJECTS

Evaluation of the Department of State's FOIA Processes for Requests Involving the Office of the Secretary

What OIG Found

S/ES is responsible for coordinating searches for FOIA requests for records held by the Office of the Secretary. When a FOIA request of that nature is received by the Department, the Office of Information Programs and Services (IPS) within the Bureau of Administration notifies S/ES. S/ES reports its findings to IPS, which then communicates with the FOIA requester.

OIG's past and current work demonstrates that Department leadership has not played a meaningful role in overseeing or reviewing the quality of FOIA responses. The searches performed by S/ES do not consistently meet statutory and regulatory requirements for completeness and rarely meet requirements for timeliness. S/ES currently searches Department email accounts only if a FOIA request mentions emails or asks for "all records," or if S/ES is requested to do so during the course of litigation. However, FOIA and Department guidance require searching email accounts when relevant records are likely maintained in these accounts. In addition, although FOIA requires agencies to respond to requests within 20 working days, some requests involving the Office of the Secretary have taken more than 500 days to process. These delays are due, in part, to the Department's insufficient provision of personnel to IPS to handle its caseload.

These problems are compounded by the fact that S/ES FOIA responses are sometimes inaccurate. Officials in IPS and attorneys for the Department identified instances in which S/ES reported that records did not exist, even though it was later revealed that such records did exist. Procedural weaknesses in S/ES FOIA processes appear to be contributing to these deficiencies. For example, S/ES management is not monitoring search results for accuracy, and IPS has limited ability to conduct oversight. S/ES also lacks written policies and procedures for responding to FOIA requests. Finally, staff in S/ES and other components in the Office of the Secretary have not taken training offered by IPS to better understand their FOIA responsibilities.

In September 2015, the Department appointed a Transparency Coordinator to improve the Department's FOIA process, among other things.

What OIG Reviewed

As part of ongoing efforts to respond to requests from the current Secretary of State and several Members of Congress, the Office of Inspector General (OIG) evaluated efforts undertaken by the Department of State (Department) to ensure that records are properly produced in response to Freedom of Information Act (FOIA) requests involving past and current Secretaries of State. This report addresses (1) the Department's compliance with FOIA statutory and regulatory requirements and (2) the effectiveness of the processes used by the Office of the Secretary's Executive Secretariat (S/ES) to respond to FOIA requests.

What OIG Recommends

OIG recommends that the Bureau of Administration identify personnel needed to improve the timeliness of FOIA responses and to quickly acquire those resources.

OIG recommends further that the Department develop a quality assurance plan to identify and address vulnerabilities in the FOIA process.

OIG also makes two recommendations to S/ES to ensure that its FOIA searches are complete and accurate.

Based on the Department's responses to a draft of this report, OIG considers all of these recommendations to be resolved, pending further action.

December 2015

AUDIT COMPLIANCE AND FOLLOWUP DIVISION

Compliance Follow-up Audit of the Process to Request and Prioritize Physical Security-Related Activities at Overseas Posts



OIG HIGHLIGHTS

AUD-ACF-16-20

What Kearney Audited

In March 2014, Kearney and Company, P.C. (Kearney), reported^a that the Department of State's (Department) process to request funds for physical security needs could be improved and that the Department did not have information to ensure that the highest priority physical security needs were funded.

The objective of this compliance follow-up audit was to determine the extent to which the Department had implemented the 10 Office of Inspector General (OIG) recommendations from the March 2014 report and whether the deficiencies identified in that report were fully addressed.

What OIG Recommends

OIG is reissuing three recommendations and making six new recommendations to address actions still to be taken, including implementing a monitoring plan for completing physical security surveys, populating the Deficiencies Database with currently available information, and developing and issuing a Long-Range Physical Security Plan. Based on DS's response to a draft of this report, OIG considers the five recommendations addressed to DS resolved, pending further action. OIG requested, but did not receive, a response from OBO. OIG therefore considers the four recommendations to OBO unresolved and will monitor implementation through the audit compliance process.

What Kearney Found

Kearney found that the Department had not taken action to fully address seven recommendations in the March 2014 report but had taken action to address the other three recommendations. Specifically, the Department developed new tools to identify and track physical security deficiencies to include a Physical Security Survey SharePoint Site and a Deficiencies Database. However, the Department had not fully implemented the tools. For example, the Department had completed only 10 percent of the required physical security surveys despite being 62 percent into its 3-year reporting cycle, and it had not populated the Deficiencies Database that was established in April 2015 with any data.

The recommendations made by OIG to improve the process to request funds for physical security needs have not been fully implemented for several reasons. For example, being behind schedule in completing physical security surveys affected the Department's ability to complete the Deficiencies Database. Additionally, the Department had not started populating the Deficiencies Database because sufficient resources were not allocated to this task. Without a populated database, action on two other recommendations related to prioritizing all deficiencies and developing and issuing a Long-Range Physical Security Plan could not proceed. Further, Kearney found that while a component of the Deficiencies Database was designed to provide information for vetting physical security needs, the information could not be sorted in a useful manner. Finally, for two recommendations related to tracking official funding requests, the Department did not provide support for the limited actions taken for one recommendation, and considered its existing process related to the second recommendation to be sufficient.

Until recommendations intended to improve the process to request and prioritize physical security needs are fully implemented, the Department will be unable to identify and address all physical security-related deficiencies and will be unable to make fully informed funding decisions based on a comprehensive list of physical security needs.

^a *Audit of the Process To Request and Prioritize Physical Security-Related Activities at Overseas Posts* (AUD-FM-14-17, March 2014).

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

November 2015
OFFICE OF AUDITS
Information Technology Division



OIG HIGHLIGHTS

View Report AUD-IT-IB-16-17

(U) Audit of the Broadcasting Board of Governors Information Security Program

(U) What OIG Found

~~(SBU)~~ Overall, Williams, Adley identified control weaknesses that significantly impacted BBG's information security program. While BBG has taken some action to improve its information security program since our last assessment in FY 2014, Williams, Adley continued to find that BBG was not in compliance with Federal laws, regulations, and information security standards. Specifically, Williams, Adley found that BBG had not fully developed and implemented an organization-wide risk management strategy to identify, assess, respond to, and monitor information security risk at all levels of the organization because, according to a senior BBG official, BBG chose to prioritize its resources on operations and not information security.

(U) What OIG Audited

(U) Acting on OIG's behalf, Williams, Adley & Company-DC, LLP (Williams, Adley), an independent public accounting firm, conducted this audit to determine the effectiveness of the Broadcasting Board of Governors (BBG) information security program and whether security practices in FY 2015 complied with applicable Federal laws, regulations, and information security standards.

(U) What OIG Recommends

(U) OIG made three recommendations to improve BBG's information security program. Specifically, OIG is recommending that BBG (1) develop a strategy to realign information technology resources; (2) develop and implement an organization-wide information security risk management strategy; and (3) define and implement the [Redacted] (b) (5)

~~(SBU)~~ In addition, although BBG had established a [Redacted] (b) (5)

Therefore, Williams, Adley concludes, based on the Council of the Inspectors General on Integrity and Efficiency *ISCM Maturity Model For FY 2015*,¹ BBG is performing ISCM activities in a [Redacted] (b) (5)

(U) Based on BBG's responses to a draft of this report, OIG considers all recommendations resolved, pending further action.

(U) Overall, Williams, Adley identified control deficiencies in [Redacted] (b) (5)

¹ (U) DHS, *FY 2015 Inspector General Federal Information Security Modernization Act Reporting Metrics*, June 2015.

² (U) See Appendix D: FY 2015 Continuous Monitoring Maturity Model for additional details.

November 2015

OFFICE OF AUDITS

Information Technology Division



OIG HIGHLIGHTS

View Report [AUD-IT-16-16](#).

Audit of the Department of State Information Security Program

What Was Found

(SBU) Williams, Adley identified control weaknesses that significantly impacted the Department's information security program. While the Department had taken some action to improve its information security program since our last assessment in FY 2014, Williams, Adley continued to find that the Department was not in compliance with Federal laws, regulations, and information security standards. Specifically, although the Department had documented and approved an ISRMS, [Redacted] (b) (5)

According to Department officials, this occurred because the Department was waiting for the Department of Homeland Security to implement the Continuous Diagnostics and Mitigation solution, which the Department intends to inherit.

(U) In addition, although the Department documented and approved an ISCM strategy, the strategy was not fully implemented. Williams, Adley found that the Department had not established and implemented an [Redacted] (b) (5)

(U) Overall, Williams, Adley identified control deficiencies in [Redacted] (b) (5)

Without an effective information security program, the Department is vulnerable to attacks and threats.

What Was Audited

(U) Acting on OIG's behalf, Williams, Adley & Company-DC, LLP (Williams, Adley), an independent public accounting firm, conducted this audit to assess the effectiveness of the Department's information security program and to determine whether security practices in FY 2015 complied with applicable Federal laws, regulations, and information security standards.

What OIG Recommends

(U) OIG made four recommendations to improve the Department's information security program. Specifically, OIG is recommending that the Department (1) amend the [Redacted] (b) (5)

(2) review the organizational placement of the Chief Information Officer (CIO) and make a determination as to whether the CIO should be realigned within the Department's organizational structure; (3) implement an [Redacted] (b) (5)

(U) Based on the Department's responses to a draft report of this report, OIG considers all four recommendations resolved, pending further action.

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OIG HIGHLIGHTS

View Report [AUD-IT-16-07](#).

November 2015
OFFICE OF AUDITS
Information Technology Division

(U) Audit of International Boundary and Water Commission, United States and Mexico, U.S. Section, Information Security Program

(U) What OIG Found

~~(SBU)~~ During FY 2015, USIBWC implemented an effective information security program for its General Support System, but additional actions are needed to fully secure its [Redacted] (b) (5)

[Redacted] Specifically, OIG found that USIBWC executed a contract to obtain expertise to design and implement an upgrade strategy for the [Redacted] (b) (5) at its [Redacted] (b) (5). However, as of August 2015, USIBWC has not fully completed implementation of the [Redacted] (b) (5) upgrade design, including [Redacted] (b) (5) improvements. According to USIBWC officials, implementation has not been completed for [Redacted] (b) (5) systems due to the time required to award a contract and acquire the technical resources to design a [Redacted] (b) (5) upgrade strategy. Until an upgrade strategy and [Redacted] (b) (5) improvements are implemented, the confidentiality, integrity, and availability of the [Redacted] (b) (5) will remain at increased risk.

~~(SBU)~~ OIG also found that the upgrade strategy includes steps to implement an [Redacted] (b) (5). However, the [Redacted] (b) (5) was not fully implemented at the time of our audit fieldwork because USIBWC had not fully obtained the technical resources needed to implement the strategy. Without full implementation of the [Redacted] (b) (5), there is increased risk that threats and vulnerabilities to USIBWC's [Redacted] could go undetected, which may lead to potential damage or disruption to the services provided by the [Redacted] (b) (5).

~~(SBU)~~ Finally, the current [Redacted] (b) (5) operation and maintenance contract does not contain provisions that ensure the contractor-operated [Redacted] (b) (5) that are compliant with FISMA. USIBWC executed a new contract in September 2015 that intends to bring its [Redacted] (b) (5) system closer to compliance with FISMA. USIBWC is also developing an upgrade strategy for its [Redacted] (b) (5). However, until the upgrade strategy is fully implemented, the [Redacted] (b) (5) will remain non-compliant with FISMA, potentially rendering it susceptible to outside attacks and insider threats.

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

(U) What OIG Audited

(U) The Office of Inspector General (OIG) conducted this audit to assess the effectiveness of the International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC), information security program in accordance with the Federal Information Security Management Act (FISMA). Specifically, OIG assessed USIBWC's information security program and related practices for risk management, configuration management, incident response and reporting, security training, plan of action and milestones, remote access management, identity and access management, continuous monitoring, contingency planning, oversight of contractor systems, access controls, personnel security, and physical and environmental protection.

(U) What OIG Recommends

~~(SBU)~~ OIG made three repeat recommendations, with revision to address progress made relating to the [Redacted] (b) (5) [Redacted] at its [Redacted] (b) (5) International Wastewater Treatment Plant [Redacted] (b) (5) and [Redacted] (b) (5) International Wastewater Treatment Plant [Redacted] (b) (5).

(U) Based on USIBWC's responses to the draft report, OIG considers all recommendations resolved, pending further action.



OIG HIGHLIGHTS

View Report [AUD-SI-16-05](#).

What OIG Audited

OIG conducted this audit to determine whether the National Endowment for Democracy (NED) used annual grant funds from FY 2006 to FY 2014 provided by the Department of State (Department) in compliance with applicable laws and regulations.

What OIG Recommends

OIG did not make any recommendations in this report. However, OIG made two recommendations to the Department regarding its grant oversight of NED in the *Management Assistance Report: Oversight of Grants to the National Endowment for Democracy* (AUD-SI-15-34, June 2015). In that report, OIG recommended that the Department take actions to implement a process to conduct the required audit of NED financial transactions and amend its annual grant agreement with NED to specifically include the audit requirement.

With respect to this report, NED concurred with the results of the audit and its comments are reprinted in their entirety as Appendix B.

UNCLASSIFIED

November 2015

OFFICE OF AUDITS

Security and Intelligence Division

Audit of the National Endowment for Democracy Use of Department of State FY 2006 – FY 2014 Annual Grant Funds

What OIG Found

Congress recognized and authorized funding for NED in 1983 through the National Endowment for Democracy Act (the Act). NED is a private, nonprofit corporation that is not an agency or establishment of the U.S. Government. NED was created to strengthen democratic institutions throughout the world by distributing funds through grants to private organizations. NED receives funding each year from Congress through amounts authorized in the Department's annual budget appropriations to accomplish its purposes. NED received more than \$960 million in grant funds from the Department from FY 2006 to FY 2014.

OIG found that NED used funds in compliance with applicable laws and regulations for the projects tested that were funded from Department FY 2006 to FY 2014 annual grants. Further, NED files reflected evidence to show adherence to the Act. This occurred because NED designed and implemented policies and procedures to help ensure grantee compliance, including detailed guidance provided to its grantees. In addition, NED's Compliance Department conducted annual reviews of core institutes to ensure that procedures were followed and made recommendations for improvement when issues were identified.

In the related *Management Assistance Report: Oversight of Grants to the National Endowment for Democracy*, OIG found that the Department had not conducted audits of NED financial transactions, as required by the Act. Further, the terms and conditions of the annual grant to NED did not include the language related to the audit requirement. The Department suggested alternatives to the two recommendations OIG made. In respect to OIG's recommendation that the Bureau of Administration implement a process to conduct required audits of NED financial transactions, OIG did not accept the alternative action suggested because it was non-responsive to the recommendation. OIG considers this recommendation "unresolved," and this matter will be addressed during the audit compliance process. However, OIG accepted the alternative action suggested for the timeframe for updating the terms and conditions of the grant, and considers this recommendation "resolved," pending further action.

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

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OIG HIGHLIGHTS

View Report: [ISP-I-16-03](#).

What OIG Inspected

OIG inspected the Bureau of Information Resource Management, Operations, Vendor Management Office from May 26 to July 2, 2015.

What OIG Recommended

OIG made four recommendations to the Bureau of Information Resource Management, Operations, Vendor Management Office to improve its operations including: to complete the Foreign Affairs Manual section on the office's roles and responsibilities; update all quality assurance surveillance plans for Vanguard contracts; conduct a cost-benefit analysis to determine if the Vendor Management Offices should develop a new performance metrics data base system; and to make mandatory use of a centralized project management system. OIG made two recommendations to the Bureau of Administration: to delegate the Vendor Management Office as a contract administration office and specify the contract administration duties the office should perform, and require contracting officer's representatives and government technical monitors to validate all performance metrics.

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October 2015

Domestic Operations and Special Reports

Inspection of the Bureau of Information Resource Management, Operations, Vendor Management Office

What OIG Found

- The Vendor Management Office operates without authority to require compliance with its procedures. The Department has no guidelines on the operation of a vendor management office in the Foreign Affairs Manual, which defines authorities and responsibilities for each major component of the Department.
- The Vendor Management Office performs some contract administration office duties for the \$3.5-billion Vanguard acquisition without formal delegation from the contracting officer as required by the Federal Acquisition Regulations.
- Between April 2014 and March 2015, the OIG team found that Vanguard government technical monitors failed to validate, on average, 25 of 268 performance metrics per month, leading the Department to pay performance incentive fees to contractors without complete validation of performance metrics.
- Despite the Vendor Management Office's deployment of the iSchedule project management application in September 2014, the Bureau of Information Resource Management directorates do not use iSchedule consistently because the bureau has not made use of the system mandatory.



OIG HIGHLIGHTS

View Report: [ISP-I-16-02](#).

What OIG Inspected

OIG inspected the Bureau of International Organization Affairs from April 20 to June 12, 2015.

What OIG Recommended

The OIG team made 16 recommendations to the Bureau of International Organization Affairs to address program implementation, organization structure, financial management, management controls, and information technology shortcomings.

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October 2015
OFFICE OF INSPECTIONS
Domestic Operations

Inspection of the Bureau of International Organization Affairs

What OIG Found

- The Assistant Secretary has taken the lead to expand the Bureau of International Organization Affairs impact in multilateral diplomacy efforts.
- The Bureau of International Organization Affairs efforts to evaluate the \$340 million in foreign assistance voluntary contributions paid to international organizations are insufficient.
- The Bureau of International Organization Affairs ceased payments on its \$26 million tax reimbursement obligations to international organizations while it waited for the issuance of a solicitation for tax professional services to assist with verifying the validity and accuracy of bills submitted for payment.
- Despite efforts to address staffing and organization, the Bureau of International Organization Affairs current organizational structure does not reflect workload increases in some offices or its functional bureau strategy priorities. In addition, responsibility for some functions is dispersed among several offices.
- The Bureau of International Organization Affairs Management Control Program should include all its domestic programs and activities when assessing controls. In addition, aspects of the Bureau of International Organization Affairs performance management, training, and purchase card programs do not comply with Department of State guidelines.
- The Bureau of International Organization Affairs records and file management program does not meet Department standards.
- The Bureau of International Organization Affairs finance software application does not comply with Department of State information security requirements.

Office of Inspector General
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~~SENSITIVE BUT UNCLASSIFIED~~



OIG HIGHLIGHTS

View Report: [ISP-I-16-01](#).

What OIG Inspected

The review took place in Washington, DC, between April 6 and June 29, 2015.

What OIG Recommended

OIG made six recommendations to the Bureau of Consular Affairs to better align the Annual Certification of Management Controls with Federal standards for internal controls.

Three recommendations are directed to enhance the value of the Annual Certification of Management Controls as a tool for consular managers abroad to prioritize and verify compliance of management controls and for analysts in the bureau to monitor compliance.

Three recommendations are directed to develop risk assessment processes and to improve communication and reporting of deficiencies in management controls within the Bureau of Consular Affairs.

~~SENSITIVE BUT UNCLASSIFIED~~

October 2015

OFFICE OF INSPECTIONS

Domestic Operations and Special Reports

Review of the Consular Annual Certification of Management Controls Process

What OIG Found

- The Consular Annual Certification of Management Controls is a useful mechanism for taking a snapshot survey of consular internal controls. It does not require meaningful continuous monitoring of internal controls, nor does it enable consular managers to track their compliance throughout the year.
- The Bureau of Consular Affairs lacks a standard procedure for sharing data and analysis from the certification with users in other directorates or for reporting results to higher-level management.
- Although the Bureau of Consular Affairs describes the Annual Certification of Management Controls as thorough and documented and says it holds certifying officers accountable, no documentation is required in support of compliance.
- The Annual Certification of Management Controls collects extensive data that could be used to assess and mitigate risk to overseas management controls. However, the Bureau of Consular Affairs does not aggregate, analyze, or use the data for those purposes, except on an ad hoc basis.



OIG HIGHLIGHTS

September 2015
OFFICE OF INSPECTIONS
Domestic Operations and Special Reports

Review of the Statements of Assurance Process

Report ISP-I-15-37.

What OIG Inspected

The review took place in Washington, DC, between January 5 and March 31, 2015.

What OIG Recommends

The team made eight recommendations to improve the process by which the Department meets its responsibilities to review and report on the effectiveness of management control systems and correct detected deficiencies.

Five recommendations are directed to improving the guidance prepared by the Office of Management Controls in the Bureau of the Comptroller and Global Financial Services. GCFS needs to inform posts at the beginning of each fiscal year that management control reviews are an ongoing process. The guidance GCFS provides needs to be more specific on identifying review areas and reporting and monitoring deficiencies.

With improved reporting of deficiencies, the report recommends guidance from GCFS on the need for bureaus to coordinate among themselves to identify trends and areas of commonality. Such aggregation of deficiencies could lead to future mandatory reviews or identification of significant deficiencies. The report makes three recommendations to the Foreign Service Institute for improving training on management controls, including developing a course for key managers.

What OIG Found

- The Bureau of the Comptroller and Global Financial Services should provide more guidance to bureaus and missions on conducting management control reviews, including on programmatic activities, and how missions should report deficiencies to bureaus.
- The Bureau of the Comptroller and Global Financial Services needs to emphasize, in guidance issued early in the fiscal year, that management controls are ongoing and should be reviewed throughout the year.
- Regional and functional bureaus need to coordinate in identifying trends and patterns in deficiencies that, when aggregated, could lead to an identification of a significant deficiency.
- The Foreign Service Institute should expand its training on management controls, incorporating such training in all leadership courses and developing a course targeting senior managers in bureaus and missions.



OIG HIGHLIGHTS

View Report: [ISP-I-15-36](#).

September 2015
OFFICE OF INSPECTIONS
Domestic Operations and Special Reports

Review of Department of State Compliance with Program Evaluation Requirements

What OIG Inspected

OIG reviewed the Department's compliance with and implementation of the 2012 Program Evaluation Policy during January 5–March 21, 2015.

What OIG Recommends

The OIG team recommended that the Bureau of Budget and Planning require a discussion of performance in the Bureau Resource Request for diplomatic engagement funding and that the Office of U.S. Foreign Assistance Resources, in coordination with the Bureau of Budget and Planning, should include other performance management tools in the guidance associated with the Evaluation Policy.

What OIG Found

- From 2012 to 2014, the Bureau of Budget and Planning and the Office of U.S. Foreign Assistance Resources established a basic infrastructure for conducting evaluations, including publishing guidance and providing both evaluation training and evaluation technical assistance.
- Of the 39 Department of State bureaus and offices covered by the policy, 16 did not comply with the requirement to complete 2 to 4 program evaluations between February 2012 and the end of FY 2014.
- The Department of State would benefit from more frequent and comprehensive training for all elements of the planning and performance framework, which includes strategic planning, performance management, monitoring, and evaluation.
- The Department of State only provides guidance on conducting evaluations, but other performance management methods are also useful.
- The Department of State does not devote sufficient human or budgetary resources to evaluation.
- The Department of State's bureaus do not consistently incorporate evaluation findings into the budget and strategic planning processes.



OIG HIGHLIGHTS

UNCLASSIFIED

September 2015

OFFICE OF AUDITS

Security and Intelligence Division

Audit of the Bureau of International Security and Nonproliferation Administration and Oversight of Foreign Assistance Funds Related to the Global Threat Reduction Program

View Report: [AUD-SI-15-41](#).

What OIG Audited

The objective of the audit was to determine whether the administration and oversight of the Bureau of International Security and Nonproliferation, Office of Cooperative Threat Reduction (ISN/CTR) ensured foreign assistance funding related to the Global Threat Reduction (GTR) program was expended in accordance with Department of State (Department) policies, achieved the desired results, and contributed to meeting the President's *National Security Strategy*.

OIG reviewed 10 grants and cooperative agreements associated with the GTR program, valued at approximately \$31 million, awarded or modified during FY 2012-FY 2013, from a universe of 27 GTR Award files valued at \$52.9 million.

What OIG Recommends

OIG made six recommendations to ISN/CTR concerning the administration and oversight of the GTR program to include determining the allowability of an implementer's (grantee's) service fee estimated at \$1.7 million, for which adequate supporting documentation was not provided. ISN/CTR concurred with all six recommendations and has taken or plans to take corrective actions to implement them. OIG considers four of the six recommendations resolved, pending further action, and two recommendations unresolved.

What OIG Found

ISN/CTR manages global threat reduction programs that are aimed at reducing the threats posed by terrorist organizations or proliferant states* seeking to acquire weapons of mass destruction (WMD). ISN/CTR is responsible for programs to enhance nuclear, chemical, and biological security. During FYs 2012 and 2013, ISN/CTR had a total of 62 active grant and cooperative agreement awards, totaling almost \$130 million.

OIG found that ISN/CTR administration and oversight of foreign assistance funding related to the GTR program needs strengthening. Specifically, ISN/CTR personnel did not:

- develop monitoring plans for each award;
- review and take action on findings in A-133 audit reports;
- conduct required risk assessments; and
- maintain award files in accordance with Department policy.

These weaknesses occurred, in part, because ISN/CTR did not have internal controls in place to ensure required actions were completed. OIG identified \$1.7 million in unsupported costs for fees associated with a single grant, but found that support for the other transactions tested was generally adequate. OIG also found the obligations related to ISN/CTR grants were generally valid and properly closed. Further, OIG concluded that ISN/CTR personnel at the Headquarters level had adequately collaborated with U.S. agency partners to strengthen and promote the GTR program. OIG was unable to determine the extent to which goals of the GTR program were being achieved because the performance indicators used by ISN/CTR did not measure outcomes or desired results, but instead measured outputs, such as the number of activities performed by an implementer; however, ISN/CTR recently implemented new indicators.

* Proliferant states are those non-U.S. partner countries that seek to acquire WMD materials, equipment, and expertise.

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OIG HIGHLIGHTS

View Report AUD-FM-15-40.

What OIG Audited

In response to a request from the Bureau of International Security and Nonproliferation, Nonproliferation and Disarmament Fund (NDF) management, Kearney & Company, P.C. (Kearney), an independent auditing firm acting under OIG direction, audited selected NDF controls. The objective of this audit was to determine the extent to which NDF internal controls relating to the management activities and the budget and finance activities listed in the Department of State Management Controls Checklist have been designed and implemented effectively. NDF management also requested that Kearney perform focused audit procedures over the budget and finance controls and contracting processes related to NDF's work in Egypt.

What OIG Recommends

OIG made seven recommendations to NDF to strengthen the design and operation of management, budget and finance, and contracting controls. Based on the response received from NDF, OIG considers the recommendations resolved pending further action. Management responses and OIG replies are presented after each recommendation in the Audit Results section of this report. NDF's response has been reprinted as Appendix C.

UNCLASSIFIED
September 2015
OFFICE OF AUDITS
Financial Management Division

Audit of Selected Nonproliferation and Disarmament Fund Management Controls

What OIG Reported

NDF's role is to supplement U.S. diplomatic efforts to promote bilateral and multilateral nonproliferation and disarmament activities through the development, execution, and implementation of carefully selected projects. Federal regulations and guidance require that agency management develop and maintain effective internal control and evaluate and report on the overall adequacy and effectiveness of internal control.

Kearney found that most of NDF's controls related to management activities were designed and implemented effectively. However, control improvements are needed. Specifically, NDF did not have a process to periodically review its organizational structure to ensure appropriate supervision and authority exists; did not have a formal process for preparing and approving language in Memorandums of Understanding relating to NDF projects; did not identify and document the specific provisions for which it used its "notwithstanding authority"; and did not have processes to evaluate the cost effectiveness of using contractors to perform project management and administrative functions.

Kearney also found that, although most controls related to budget and finance activities were designed and implemented effectively, some controls needed improvement. Specifically, NDF did not always enter final obligation amounts in its Project and Information Management System; project managers did not include the required information in their certifications of the receipt of goods and services; NDF did not always record expenses in the NDF system; and NDF did not have a formal process for developing and documenting its annual budget request.

Further, Kearney found that controls relating to contract initiations and contract modifications were not implemented effectively for the Egypt project. Specifically, NDF did not maintain the contract initiation documentation for one contract and did not prepare an acquisition plan for one contract. In addition, NDF did not prepare and maintain the documentation or obtain the approvals required for contract modifications.



OIG HIGHLIGHTS

View Report: [AUD-MERO-15-39](#).

What OIG Audited

Between October 2010 and December 2013, three Department of State (Department) bureaus obligated \$108 million in non-lethal assistance to address the Syrian crisis through 34 cooperative agreements and grants. The non-lethal assistance consisted of cash grants, training, and equipment intended to help the Syrian Coalition, local opposition councils, and civil society groups.

The Office of Inspector General (OIG) conducted this audit to determine the extent to which the Department's management and oversight of non-lethal assistance provided in response to the Syrian crisis complied with Department guidance and federal laws.

What OIG Recommends

OIG made 10 recommendations to the responsible bureaus to improve the management and oversight of the awards and to review the costs questioned in this report to determine whether they are allowable. OIG received responses to the draft report from the Bureau of Administration, Office of Logistics Management (A/LM); the Bureau of Conflict and Stabilization Operations (CSO); the Bureau of Democracy, Human Rights, and Labor (DRL); and the Bureau of Near Eastern Affairs (NEA) (see Appendices C, D, E, and F, respectively). Based on the responses, OIG considers one recommendation closed; seven recommendations resolved, pending further action; and two recommendations unresolved. Management responses and OIG replies are presented after each recommendation (see Audit Results section). NEA also provided additional general and technical comments, which OIG incorporated as appropriate and addressed in Appendix G.

UNCLASSIFIED

September 2015

OFFICE OF AUDITS

MIDDLE EAST REGION OPERATIONS

Audit of Department of State Management and Oversight of Non-Lethal Assistance Provided for the Syrian Crisis

What OIG Found

OIG identified varying levels of compliance with Department policy for the three cooperative agreements and one grant included in our audit sample. Specifically, OIG found weaknesses in the monitoring of non-lethal assistance provided to address the Syrian crisis, as well as incomplete risk assessments and missing or poor quality monitoring plans. These weaknesses impacted the responsible bureaus' ability to ensure that award recipients performed required program activities and that the awards achieved their intended outcomes.

OIG found that the responsible bureaus did not provide sufficient monitoring for any of the four award recipients in the audit sample. For example, NEA Middle East Partnership Initiative (MEPI) failed to ensure that the recipient of a cooperative agreement to fund cash payments to Syrian opposition groups had sufficient financial management processes to track expenditures and to effectively monitor its sub-recipients. As a result, OIG questioned costs of \$808,697 that were not adequately supported and unexpended funds of \$77,324 associated with the award. In addition, OIG found that CSO did not ensure that the recipient of a cooperative agreement to increase the capacity of opposition networks had adequate procedures to track equipment purchases and/or distribution. As a result, OIG questioned \$825,211 associated with this award.

Department guidance outlines several activities that should be completed prior to award issuance that help limit the risks associated with each award and ensure that the Department obtains the services expected. OIG identified deficiencies with the risk assessments for each award it reviewed. For example, DRL neglected to consider a potential conflict of interest between the award recipient and its subcontractors. OIG also found instances where the grants officer and the grants officer representative (GOR) did not develop monitoring plans that met Department requirements. For example, the monitoring plan for the CSO cooperative agreement to provide equipment to the Syrian opposition did not identify the type of monitoring efforts and was approved after award issuance. In addition, the grants officer for a DRL grant to expand the free flow of information in Syria inappropriately assigned a third party contractor as the GOR, which violates Grants Policy Directive 16, *Designation of Grants Officer Representatives*.

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OIG HIGHLIGHTS

View Report: [ISP-I-15-35A](#).

What OIG Inspected

OIG inspected the U.S. Embassy in Tokyo from January 6 through March 27, 2015. Members of the team inspected U.S. Consulates in Sapporo, Osaka-Kobe, Fukuoka, and Naha and the American Presence Post in Nagoya from February 12 to March 9, 2015.

What OIG Recommended

OIG made 65 recommendations intended to improve Embassy Tokyo's operations and programs. The report addresses the need to improve strategic planning, streamline the organization of embassy staff, and eliminate unnecessary positions. OIG recommended the embassy terminate a number of services and benefits that either are not justified or are contrary to regulations. The report also recommends strengthening management controls, communication security, and the oversight of grants management.

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August 2015

OFFICE OF INSPECTIONS

Inspection of Embassy Tokyo, Japan

What OIG Found

- The Department of State has not addressed security problems, including vulnerabilities which the Office of Inspector General identified in previous inspection reports.
- The role and authorities of the Ambassador's chief of staff are not clearly defined, leading to confusion among staff as to her level of authority, and her role in internal embassy communications.
- The embassy's focus on daily reporting of political and economic developments comes at the expense of building a broad network of contacts and providing in-depth analysis for policy formulation.
- The embassy is not coordinating reporting and diplomatic engagement across the mission. Constituent posts in Sapporo, Nagoya, and Osaka-Kobe need to be brought up to the high standards set by posts in Fukuoka and Naha.
- The level of U.S. direct-hire staffing in the embassy's political, economic, and consular sections is greater than workload warrants.
- The public affairs section faces major management challenges, but has begun to focus on educational exchanges and staffing adjustments to cope with the high visitor load and public outreach needs.
- American Presence Post Nagoya should cease offering routine consular services; consular operations in Fukuoka and Sapporo are inefficient.
- Although the embassy's management section has made significant progress on cost containment, senior managers should pay greater attention to management controls over travel and official residence allowances.
- Office of Inspector General inspectors identified \$122,665 in cost savings and \$2,331,787 in funds put to better use during the inspection.



OIG HIGHLIGHTS

View Report: ISP-C-15-33.

What OIG Inspected

On April 15, 2013, OIG initiated a review of the Accountability Review Board process, which included a review of the Benghazi Accountability Review Board recommendations. The resulting report (*Special Review of the Accountability Review Board Process*) and classified annex were issued in September 2013. The report contains 20 formal and 8 informal recommendations.

From January 15 to March 18, 2015, OIG conducted a compliance followup review of the *Special Review of the Accountability Review Board Process*.

What OIG Recommended

OIG reissued one recommendation from the 2013 inspection report, that the Under Secretary of State for Management, in coordination with the Bureau of Diplomatic Security and the Bureau of Overseas Buildings Operations, develop minimum security standards that must be met prior to occupying facilities located in designated high-risk, high-threat locations and include these minimum standards for occupancy in the *Foreign Affairs Handbook* as appropriate.

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August 2015

OFFICE OF INSPECTIONS

Compliance Followup Review of the Special Review of the Accountability Review Board Process

What OIG Found

- The Department of State has complied with all the formal and informal recommendations of the 2013 *Special Review of the Accountability Review Board Process*, except one, which has been reissued in this report.
- The Department of State has implemented regulatory and procedural changes to delineate clearly who is responsible for implementation, and oversight of implementation, of Accountability Review Board recommendations. The Under Secretary for Management, in coordination with the Under Secretary for Political Affairs, is responsible for implementation of Accountability Review Board recommendations. The Deputy Secretary for Management and Resources is responsible for overseeing the Department's progress in Accountability Review Board implementation, which places accountability for implementation at an appropriately high level in the Department of State.
- The Office of Management Policy, Rightsizing, and Innovation manages the Accountability Review Board function. The Accountability Review Board process review report was critical of the Office of Management Policy, Rightsizing, and Innovation's recordkeeping and files of past Accountability Review Boards. The Office of Management Policy, Rightsizing, and Innovation has since revised its Accountability Review Board recordkeeping guidelines. These revised guidelines have yet to be tested, as no Accountability Review Board has met since the Benghazi Accountability Review Board, which issued its report in December 2012.

July 2015

Broadcasting Board of Governors

Inspection of U.S. International Broadcasting to Afghanistan



OIG HIGHLIGHTS

View the full report: ISP-IB-15-32.

What OIG Inspected

OIG inspected U.S. International Broadcasting in Kabul, Afghanistan, between September 10 and November 14, 2014. OIG looked at the U.S. broadcasting operations of Voice of America and Radio Free Europe/Radio Liberty, a grantee of the Broadcasting Board of Governors. OIG also reviewed Voice of America operations in Washington, DC, Radio Free Europe/Radio Liberty in Prague, and transmitting station oversight operations in Frankfurt, Germany.

What OIG Recommended

OIG made 13 recommendations regarding U.S. broadcasting programs in Afghanistan. OIG made one recommendation to BBG to harmonize U.S. broadcasting operations in Afghanistan and seven recommendations to Voice of America and the International Broadcasting Bureau to improve administrative processes and procedures, both in Washington, DC, and overseas. These weaknesses are in the areas of unliquidated obligation balances, property management, Government travel card program, and contracting. OIG made a recommendation to Voice of America Afghanistan Service to address leadership issues. In a limited-scope review of Radio Free Europe/Radio Liberty operations, OIG made four recommendations to strengthen financial property management and security.

What OIG Found

- Afghanistan broadcasting operations have a total of \$2.3 million in unliquidated obligations for FYs 2010–2014. Property management processes and procedures require greater attention in the operations supporting U.S. international broadcasting in Afghanistan.
- The Voice of America Afghanistan Service has several administrative weaknesses in the areas of Government travel card and contracting. Specifically, contract administration procedures and contracting officer's representative designation and function require closer oversight and compliance of Federal regulations.
- The Voice of America Afghanistan Service and Radio Free Europe/Radio Liberty-Radio Free Afghanistan share office space in Kabul, which has resulted in greater collaboration between the two. Specific strategies for harmonizing the operations in Afghanistan have lingered for 10 years without specific implementation actions.
- The senior management staff of Voice of America Afghanistan Service does not communicate effectively with employees, which has a negative effect on employee morale.
- Radio Free Europe/Radio Liberty-Radio Free Afghanistan complies with administrative procedures, but efficiencies can be attained by moving to electronic fund transfers for financial transactions and salaries payments.



OIG HIGHLIGHTS

View Report [AUD-ACF-15-36](#).

What OIG Audited

In August 2012, the Office of Inspector General (OIG) reported* that the Border Security Program (BSP) did not have a centralized program management structure and a detailed, comprehensive program plan that identified BSP priorities. The Department's BSP is part of a coordinated national effort to deny dangerous individuals entry into the United States and facilitate the entry of legitimate travelers and is funded by consular-related fees (\$2.9 billion for FY 2014).

The objective of this compliance follow-up audit was to determine the extent to which the Bureau of Consular Affairs (CA) had implemented the six open recommendations from Report No. AUD-FM-12-39.

What OIG Recommends

OIG modified and reissued four recommendations that focus on the following: (1) developing roles and responsibilities for parties involved in the BSP; (2) developing a plan to prioritize BSP funding requests; (3) developing and disseminating guidance on the appropriate use of BSP funds; and (4) developing and implementing a comprehensive monitoring process for the BSP. Based on CA's responses to the draft report, OIG considers the four recommendations resolved, pending further action.

* *Audit of Department of State Use of Consular Fees Collected in Support of the Border Security Program* (AUD-FM-12-39, August 2012)

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July 2015

OFFICE OF AUDITS

Audit Compliance and Followup Division

Compliance Follow-up Audit of the Department of State Use of Consular Fees Collected in Support of the Border Security Program

What OIG Found

OIG found that CA had not fully implemented corrective actions to address four of six open recommendations from the August 2012 BSP audit. Specifically, OIG determined that CA had not taken sufficient action to address the intent of four open recommendations that involve the following: developing roles and responsibilities for all parties involved in the BSP; preparing a written plan to prioritize all requests for BSP funding; developing and disseminating guidance to CA offices and the partner bureaus on the appropriate use of BSP funds; and preparing a documented, comprehensive monitoring program that includes periodic reviews of expenditures.

OIG determined that CA had completed sufficient corrective actions to close recommendations 1 and 4 from Report No. AUD-FM-12-39 that addressed formalizing CA's authority over the BSP by modifying the *Foreign Affairs Manual* (FAM) and establishing BSP performance goals and indicators for all parties involved in the BSP.

According to CA officials, CA has not implemented four of the six open recommendations because CA's role as the BSP program management office was not codified in the FAM until March 2015. In addition, CA did not have an appointed BSP manager to oversee the program until August 2014, 2 years after the issuance of the original audit report. OIG concludes that, until recommendations intended to improve the management and execution of the BSP are fully implemented, CA will not be able to ensure the most effective allocation of BSP funds to meet BSP objectives, such as denying terrorists and criminals entry into the United States.

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OIG HIGHLIGHTS

View Report: [ISP-I-15-31A](#).

What OIG Inspected

OIG Inspected the U.S. Embassy Tunis from February 17 to March 12, 2015.

What OIG Recommended

OIG made 33 recommendations to Embassy Tunis and U.S. Department of State bureaus to update and enforce policies to improve embassy operations; to strengthen management controls; to initiate a Vital Presence Validation Process to determine mission staffing needs; and to establish an orientation program for locally employed staff, orientation and training programs for consular staff, and certified grants officer representative training. OIG also recommended that the front office adhere to leadership principles and conduct effective oversight of assistance programs.

Authorities and Methodology

This report was completed in accordance with OIG's oversight responsibilities, as described in Section 8L of the Inspector General Act of 1978, as amended. The inspection was conducted in accordance with the Quality Standards for Inspection and Evaluation, as issued in 2012 by the Council of the Inspectors General on Integrity and Efficiency, and the Inspector's Handbook, as issued by OIG for the Department of State and the Broadcasting Board of Governors.

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July 2015

OFFICE OF INSPECTIONS

Bureau of Near Eastern Affairs

Inspection of Embassy Tunis, Tunisia

What OIG Found

- The Ambassador has advanced U.S. national interests in Tunisia, but his communication, coordination, feedback, and interpersonal skills negatively affected the senior staff's ability to manage operations and programs.
- Embassy Tunis has not held a town hall meeting with nonofficial American citizens or [Redacted] (b) (5), [Redacted] (b) (7)(F) in more than 2 years.
- The Ambassador is not providing oversight to growing assistance programs. He needs to meet individually and regularly with both the U.S. Agency for International Development senior officer and the Bureau of International Narcotics and Law Enforcement Affairs chief, both of whom manage large assistance programs.
- The Bureau of International Narcotics and Law Enforcement Affairs program is not staffed to manage growth of its programs.
- The Tunisian American Enterprise Fund has received \$60 million in Economic Support Funds but has not complied with monitoring requirements and has made outlays of \$3 million. Prior to providing additional financing, the Department of State should conduct an evaluation of the enterprise fund's performance.
- The embassy does not have performance indicators or measurable outcomes by which to evaluate its programs in Tunisia.



OIG HIGHLIGHTS

View Report [AUD-MERO-15-35](#)

What OIG Audited

The Office of the Inspector General (OIG) initiated this audit to determine the effectiveness of the Department of State's Bureau of International Narcotics and Law Enforcement Affairs, Office of Aviation (INL/A) management and oversight of the aviation services provided to the U.S. Mission to Iraq. The audit objectives were to determine whether: invoice review and approval procedures were in place to ensure accuracy and completeness of costs, the contractor's work was adequately monitored, and the contractor was performing in accordance with contract terms and conditions.

What OIG Recommends

OIG made four recommendations to the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM) to assess the \$932,644 in questioned costs and \$25,886,861 associated with employer and employee personal income tax reimbursements. OIG also made seven additional recommendations to A/LM/AQM and INL for improving contract management and oversight. Based on the responses received from A/LM and INL to a draft of this report (see Appendices D and E, respectively), OIG considers five recommendations resolved and six recommendations unresolved. Management responses and OIG replies are presented after each recommendation in the Audit Results section of this report.

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July 2015

OFFICE OF AUDITS

Middle East Region Operations

Audit of the Bureau of International Narcotics and Law Enforcement Affairs Aviation Support Services Contract in Iraq

What OIG Found

OIG questions \$932,644 in costs associated with 9 of the 14 invoices we examined. OIG reviewed 14 invoices totaling approximately \$49.7 million of the \$541.5 million in invoices submitted as of October 31, 2013. The questioned costs were not detected because DynCorp International is not required to provide documentation supporting its invoices' charges unless INL/A requests it; and INL/A's invoice review processes, methodologies, and staffing were insufficient.

A/LM/AQM and INL/A adequately monitored DynCorp's performance across a variety of mission functions and administrative operations. However, option years were definitized, on average, 172 days late because DynCorp failed to provide timely and accurate proposals and INL/A did not always identify all requirements. In addition, A/LM/AQM did not provide sufficient documentation supporting its decision to authorize reimbursements of \$25,886,861 paid to DynCorp for employer and employee income and Social Security tax payments to the Government of Iraq.

OIG also found that DynCorp generally met its service delivery performance goals associated with aviation services to include scheduled flights, medical evacuations, and flights for "very important persons." However, DynCorp struggled to meet aircraft availability goals for three types of helicopters because of an insufficient number of trained and certified mechanics and difficulty obtaining spare parts and other supplies in a timely manner. Although DynCorp was generally able to complete most of its missions, given the instability in Iraq, deficiencies associated with obtaining and providing spare parts could reduce the likelihood that a sufficient number of aircraft are available when needed.

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View Report: [AUD-CGI-15-31](#).

What **OIG Audited**

OIG conducted this performance audit to determine whether the Department (1) resolved security issues with the curtain wall design before authorizing initiation of construction and (2) whether the contracting officer adhered to Federal Acquisition Regulation (FAR) requirements specified for a fixed-price incentive (successive targets) (FPIS) contract in negotiating the price for the construction of New Embassy Compound (NEC) London.

What **OIG Recommends**

OIG made two recommendations to the Bureaus of Overseas Buildings Operations (OBO) and Diplomatic Security (DS) to establish additional controls to ensure that construction is not initiated before innovative and developmental designs have been approved by DS after required research and developmental testing is completed and results are fully analyzed. Based on OBO and DS responses to Recommendations 1 and 2, respectively, OIG considers the recommendations unresolved.

In addition, OIG made two recommendations to the Bureau of Administration, Office of the Procurement Executive (A/OPE), to establish policies and procedures and to provide training for utilizing the Early Contractor Involvement (ECI) project-delivery method which uses an FPIS contract type. A/OPE concurred with the recommendations. Based on the response, OIG considers Recommendations 3 and 4 resolved, pending further action.

July 2015

OFFICE OF AUDITS

Contracts, Grants, and Infrastructure

Audit of the Construction Contract Award and Security Evaluation of the New Embassy Compound London

What **OIG Found**

OIG found that DS and OBO did not obtain blast testing results for the NEC London Chancery's glass curtain wall design before the Under Secretary of State for Management (M) certified the more than \$1 billion project to Congress and authorized the initiation of construction. In December 2013, M certified that the NEC London design would meet physical security standards and would provide appropriate security for sensitive activities and personnel. However, OBO did not initiate blast testing of the curtain wall until February 2014. The curtain wall was a new design feature that had not been tested to determine whether it met safety requirements for blast protection. Although test results ultimately indicated that the curtain wall met standards, the Department prematurely committed to construction that could have required significant redesign and additional costs. The Department's approach to construction and security certification for this project did not comply with Department policy for P.L. 100-204 security certifications in *12 Foreign Affairs Manual* (FAM) 360.

OIG found that the contracting officer did not obtain sufficient data when negotiating the final price for the construction portion of the contract, even though OBO requested such information. To implement the ECI project-delivery method using the FPIS contract type, contractors must submit two cost proposals, and contracting officers must obtain sufficient data to support the final proposal and an explanation of the differences between the proposals. The contracting officer awarded the construction portion of the contract without requiring the contractor to provide an explanation to address the approximate \$42 million difference between the initial proposal (submitted in 2012) and the final proposal (submitted in 2013). This occurred because the contracting officer was not sufficiently familiar with the implementation of FPIS contracts. The absence of detailed cost and pricing data presented challenges to OBO because it did not have the information to fully evaluate the contents of the proposal. As of September 2014, OBO was still unable to reconcile pricing information.



OIG HIGHLIGHTS

View Report: [ISP-I-15-29A](#).

June 2015
OFFICE OF INSPECTIONS
Bureau of Near Eastern Affairs

Inspection of Embassy Amman, Jordan

What OIG Found

- Growth in Embassy Amman's support staff has not kept pace with the embassy's transformation over the past 5 years from a midsized embassy to a large, front-line operation. Permanent American staff grew more than 60 percent in the past 5 years, and on most days the number of additional temporary-duty (visiting) staff equals that of permanent hires. Management staff grew less than 10 percent during the same period and is straining to fulfill requirements.
- Embassy Amman grew because it is an increasingly rare platform in the Middle East, from which the United States can advance key national security objectives. Jordan is a stable country in a tumultuous region, and the United States and Jordan cooperate closely to degrade and defeat the Islamic State of Iraq and the Levant, oppose terrorism, and achieve a comprehensive peace between Israel and the Palestinians.
- The Ambassador and the deputy chief of mission provide strong and focused strategic direction to an embassy that functions well, despite an intense work pace that stems from coalition efforts against the Islamic State of Iraq and the Levant and from frequent senior U.S. visitors. Cooperation among agencies is excellent, and agency chiefs describe outstanding leadership by the Ambassador and the deputy chief of mission.

What OIG Inspected

OIG inspected the U.S. Embassy in Amman from February 1 to 26, 2015.

What OIG Recommended

OIG made 37 recommendations to U.S. Embassy Amman and U.S. State Department offices. About half concern management and information technology. Many of the management recommendations reflect a well-run embassy straining to keep up with rapidly growing responsibilities and staff. Six recommendations concern overseeing foreign assistance and managing grants, and six others concern consular affairs.

Authorities and Methodology

This report was completed in accordance with OIG's oversight responsibilities, as described in Section 8L of the Inspector General Act of 1978, as amended. The inspection was conducted in accordance with the Quality Standards for Inspection and Evaluation, as issued in 2012 by the Council of the Inspectors General on Integrity and Efficiency, and the Inspector's Handbook, as issued by OIG for the Department of State and the Broadcasting Board of Governors.

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OIG HIGHLIGHTS

View Report: [ISP-I-15-30A](#).

What OIG Inspected

OIG inspected the U.S. Embassy in Muscat from March 15 to April 1, 2015.

What OIG Recommended

OIG made 26 recommendations to U.S. Embassy Muscat and U.S. State Department bureaus. Twenty-two were to U.S. Embassy Muscat and addressed training, recruitment, and hiring of embassy staff; improving residential maintenance; and correcting deficiencies in contract, procurement, personnel, property, and information management.

OIG also made recommendations to the Bureau of Human Resources regarding the compensation packet for local staff and an annual homeward passage benefit for expatriate staff; one recommendation to the Bureau of Overseas Buildings Operations regarding completion of a comprehensive space planning survey for the chancery; and one recommendation to the Bureau of Economic and Business Affairs regarding completion of the Post Partnership Program Plan.

Authorities and Methodology

This report was completed in accordance with OIG's oversight responsibilities, as described in Section 8L of the Inspector General Act of 1978, as amended. The inspection was conducted in accordance with the Quality Standards for Inspection and Evaluation, as issued in 2012 by the Council of the Inspectors General on Integrity and Efficiency, and the Inspector's Handbook, as issued by OIG for the Department of State and the Broadcasting Board of Governors.

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June 2015
OFFICE OF INSPECTIONS
Bureau of Near Eastern Affairs

Inspection of Embassy Muscat, Oman

What OIG Found

- Inadequate contract administration has increased the risk of trafficking-in-persons violations.
- Despite restrictions on embassy contact with Omani citizens, military and security relations between embassy personnel and Omani defense and security counterparts are productive.
- Many mid-level officers in section chief positions are first-time section supervisors. The combination of first-time supervisors managing first- and second-tour officers has made completing some everyday operational requirements a challenge.
- Staffing gaps and delays in filling locally employed staff positions have negatively affected delivery of International Cooperative Administrative Support Services.
- The information management section needs to strengthen its customer service approach through collaboration and communication.
- The embassy has lowered costs for the Export Control and Related Border Security assistance program, but the embassy has not yet formalized these program adjustments with the Omani Government.

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OIG HIGHLIGHTS

JUNE 2015
OFFICE OF INSPECTIONS
WESTERN HEMISPHERE AFFAIRS

Inspection of Embassy Mexico City, Mexico

View the full report: ISP-I-15-28A.

What OIG Inspected

OIG inspected the U.S. Embassy in Mexico City from September 28 through November 25, 2014. Members of the team inspected U.S. Consulates in Ciudad Juarez, Guadalajara, Hermosillo, Matamoros, Merida, Monterrey, Nogales, Nuevo Laredo, and Tijuana during October 10–November 13, 2014.

What OIG Recommended

OIG made 65 recommendations to Embassy Mexico City intended to improve its operations and programs. Most addressed management control weaknesses, training deficiencies, personnel planning and assignment processes. OIG made five recommendations to the Department's Bureau of Overseas Buildings Operations to address security vulnerabilities and design issues, at consulate locations. The report addressed the growing demand for American citizens services.

What OIG Found

- The Ambassador and deputy chief of mission provide integrative leadership of Mission Mexico, one of the largest and most geographically dispersed U.S. diplomatic missions. Washington officials credit the Ambassador and his team with strengthening and deepening the bilateral relationship over the past 3 years.
- The Ambassador brought improved communication, strategic planning, and coordination to the mission. Extensive digital video conferencing links the far-flung constituent posts to the embassy and one another; nonetheless, senior embassy officials need to visit the constituent posts at least annually.
- Mission Mexico's physical plants range from old, inadequate, and dangerous to a 3-month-old consulate compound. An ambitious \$1.67-billion construction program is underway; however, facilities problems noted in the 2009 Office of Inspector General report remain.
- Several deficiencies exist in grants management. Embassy Mexico City's grants exhibited inaccurate reporting, incomplete closeout, and insufficient oversight.
- Management has paid insufficient attention to communication needs in emergency management.
- The mission will need increased staff to meet demand for American citizens services.
- The age and composition of several Mission Mexico facilities highlight the need for greater physical security mitigation to eliminate vulnerabilities.
- Public diplomacy programs and resources are overly centralized. Consulate public diplomacy sections should be given greater authority over budget and program decisions.
- Growth is straining the administrative support platform. From 2009 to 2014, the embassy added 146 U.S. direct-hire and 223 locally employed staff positions. Mission Mexico estimates that it will need an additional 4 U.S. direct-hire and 51 locally employed staff positions to manage current workloads.

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OIG HIGHLIGHTS

View Report: [ISP-I-15-27](#).

June 2015
OFFICE OF INSPECTIONS
Domestic Operations

Inspection of the Bureau of Political-Military Affairs

What OIG Found

- Bureau of Political-Military Affairs leaders are positioning a complex organization to strengthen its role in policymaking and strategic planning—both within the U.S. Department of State and with its primary partner, the U.S. Department of Defense.
- With foreign assistance levels relatively static, the Under Secretary for Arms Control and International Security and bureau leaders are focused on setting global, rather than country-specific, priorities for security assistance allocations.
- The bureau's Office of Security Assistance is developing its own monitoring and evaluation framework to assess the success of security assistance in meeting Integrated Country Strategy objectives.
- The bureau's primary contribution to countering the Islamic State of Iraq and the Levant is expediting security assistance, Foreign Military Sales, and Direct Commercial Sales to entities engaged in the fight.
- Until recently, bureau leadership has not examined or managed staffing levels from a bureauwide perspective but pursued remedies for staffing shortages office by office.
- Bureau leadership acknowledges that some employees perceive unfairness, favoritism, and lack of transparency in hiring.
- Relations between the bureau and the executive office are strained. An organization and workload analysis of the executive office would be beneficial.
- The bureau lacks a records management policy, which results in staff retaining documents in shared network folders, SharePoint, personal computer drives, and hard copies.
- Program managers monitor grantee performance but do not document all their reviews and travel in the grants files. Some sole source justifications are inaccurate.
- Bureau leadership is not sufficiently engaged in emergency planning.

What OIG Inspected

OIG inspected the Bureau of Political-Military Affairs from January 5 to March 13, 2015.

What OIG Recommended

OIG made 24 recommendations to the Bureau of Political-Military Affairs to enhance the Foreign Policy Advisor Program, implement procedures for property accountability, strengthen grants management, validate staffing needs, address records management deficiencies, broaden Equal Employment Opportunity and diversity awareness, and bolster security practices and procedures.

Authorities and Methodology

This report was completed in accordance with OIG's oversight responsibilities, as described in Section 8L of the Inspector General Act of 1978, as amended. The inspection was conducted in accordance with the Quality Standards for Inspection and Evaluation, as issued in 2012 by the Council of the Inspectors General on Integrity and Efficiency, and the Inspector's Handbook, as issued by OIG for the Department of State and the Broadcasting Board of Governors.



OIG HIGHLIGHTS

View Report [AUD-CG-15-33](#).

What OIG Audited

The purpose of this audit was to determine the extent to which the Department's grants officer representatives (GORs) were selected and trained to successfully perform their assigned grant administration and oversight responsibilities.

What OIG Recommends

OIG made 14 recommendations to improve the selection of GORs, strengthen grant oversight, and improve the management of the Department's large portfolio of grants. OIG also issued a related Management Assistance Report* specific to two Afghanistan grants in the audit sample that required immediate attention.

All responsible organizations provided comments to the May 7, 2015, draft of this report. (See Appendices C–H.) Concurring with the recommendations were the Bureaus of Political-Military Affairs, South and Central Asian Affairs, and Administration; the Office of the Procurement Executive; and Embassy Phnom Penh. The Bureau of International Narcotics and Law Enforcement Affairs concurred, or partially concurred, with recommendations to determine the allowability of costs OIG questioned. The Bureau of Democracy, Human Rights, and Labor (DRL), however, did not indicate agreement or disagreement with the recommendation to develop a process to track GOR compliance with documenting the required reviews of performance and financial reports. Based on the responses, OIG considers one recommendation closed; six recommendations resolved, pending further action; and seven recommendations unresolved.* *Management Assistance Report—Termination of Construction Grants to Omran Holding Group* (AUD-CG-14-37, Sept. 18, 2014)

UNCLASSIFIED

June 2015

OFFICE OF AUDITS

Contracts and Grants Division

Audit of Department of State Oversight Responsibilities, Selection, and Training of Grants Officer Representatives

What OIG Found

OIG found instances among the 20 grants reviewed where GORs did not execute their oversight responsibilities or comply with grant monitoring requirements. For example, OIG GORs had not created monitoring plans as required by Department policy or verified the program performance or financial data reported by the grantees. One GOR said that she did not perform detailed financial reviews because she believed that grants officers (GOs)—not GORs—were responsible for financial monitoring and that there was not always time to perform these duties. Other GORs noted that they paid scant attention to the grantee financial reports, typically reviewing only for excessively high spending. By not comprehensively monitoring grants, the Department cannot have confidence that Federal funds are being spent and grant objectives are being achieved in accordance with award terms and conditions. This audit identified more than \$7 million in unallowable costs, unsupported costs, and funds that could be deobligated and put to better use.

OIG also found that GOs had selected GORs in accordance with Department policies for 17 of 20 grants reviewed. However, one bureau, DRL, had inappropriately appointed third-party contractors as GORs for three of the four DRL grants that we reviewed. According to Department policy, third-party contractors may not be certified and therefore should not have been appointed as GORs. Without proper selection of GORs, the Department will continue to be at risk of inadequate grant oversight, which could result in grant objectives not being met and Federal assistance funds being wasted or misused.

Finally, OIG found that most of the GORs for the grants reviewed had completed the two training courses required for GOR certification. However, the third-party contractors that were appointed as GORs did not complete the required courses because Department-sponsored training is typically provided only to Government employees. Also, although most GORs had obtained the required training, the required training courses were not sufficient to train GORs in how to develop a monitoring plan or how to review and use grantee financial and progress reports, among other important GOR responsibilities. By the conclusion of our fieldwork, Department officials had recognized the training deficiencies we identified in this report, had developed two new GOR training courses, and were updating the existing GOR courses.



OIG HIGHLIGHTS

View Report: [ISP-I-15-23A](#).

What OIG Inspected

OIG inspected the U.S. Embassy in Tallinn during October 3–22, 2014.

What OIG Recommended

OIG made 35 recommendations to U.S. Embassy Tallinn and Department bureaus intended to improve embassy operations and program implementation. Most addressed management support operations, infrastructure, and staffing.

OIG made recommendations to strengthen internal management controls by attending to separation of duties, documenting processes, establishing standard operating procedures, clarifying backup duties, and reassessing organization structure.

Recommendations to address infrastructure deficiencies in the chancery included those pertaining to basic security standards, telecommunications and power cabling, and the design and construction of embassy mail facilities.

OIG also made recommendations to address staffing, training, and language needs by establishing a comprehensive training plan for locally employed staff; providing training in the areas of leadership, team building, and Equal Employment Opportunity; and adjusting the language requirements for U.S. officers in the political/economic section to meet reporting needs and maximize resources.

June 2015

OFFICE OF INSPECTIONS

Bureau of European and Eurasian Affairs

Inspection of Embassy Tallinn, Estonia

What OIG Found

- The Ambassador and the deputy chief of mission provide appropriate oversight to the country team, and U.S. Department of State sections, in accordance with Section 207(a) of the Foreign Service Act of 1980. However, stronger leadership from the Ambassador and his greater adherence to Department rules and regulations are necessary.
- The political/economic section is staffed adequately to carry out its policy advocacy and reporting responsibilities but needs to adjust local staff portfolios and the language requirements of its U.S. officers to maximize resources.
- The public affairs section is central to mission efforts to carry out Integrated Country Strategy objectives, using traditional public diplomacy tools, media engagement, social media, and regional outreach to amplify policy messages.
- The embassy's consular warden system has not been reviewed, activated, or tested since at least 2011. Worldwide tensions increase the need for an effective warden system with the flexibility to meet multiple contingencies, including the potential interruption of electronic messaging capability.
- The aging chancery does not meet—and cannot be retrofitted to meet—even the most basic security standards, and numerous infrastructure deficiencies need to be addressed if the embassy is to remain at its present location.
- The telecommunications and power cabling infrastructure throughout the chancery is disorganized and largely undocumented, which limits the ability of information management staff to carry out their duties.
- The embassy needs a comprehensive training plan for locally employed staff that reflects priority training needs.
- Internal management controls need to be strengthened, with particular attention to separation of duties, documenting processes and standard operating procedures, clarifying backup duties, and reassessing organization structure.

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OIG HIGHLIGHTS

View the full report: ISP-I-15-26

What OIG Inspected

OIG inspected the Office of Civil Rights in Washington D.C. during October 2–November 7, 2014.

What OIG Recommends

OIG made five recommendations to the Office of Civil Rights intended to improve its operations and programs. Most addressed personnel issues, which included the need to adjust resources to match workload and reevaluate the grade levels of several positions in comparison to positions elsewhere in the Department. The director also must issue overdue performance evaluations. Given a sharp rise in harassment cases since 2011, OIG recommended mandatory antiharassment training for employees Departmentwide.

June 2015

OFFICE OF INSPECTIONS

Domestic Operations and Special Projects

Inspection of the Office of Civil Rights

What OIG Found

- The Office of Civil Rights has improved the quality and increased the quantity of its work in recent years, enabling it to fulfill its mandate of propagating fairness, equity, and inclusion.
- The internal operations of the office would benefit from a rebalancing of workload, a reassessment of position grades, and completion of delinquent performance evaluations.
- A significant increase in reported harassment inquiries in the Department of State over the past few fiscal years supports the need for mandatory harassment training for Department of State employees.
- Shortcomings exist in the Equal Employment Opportunity Counselor program, but the Office of Civil Rights is taking steps to address them.



OIG HIGHLIGHTS

View Report [AUD-CGI-15-32](#).

What OIG Audited

An important component of the Department of State Office of Medical Services (MED) health care program is the overseas health care unit. The overseas Health Unit (HU) provides medical care for embassy staff and other eligible personnel. The Office of Inspector General (OIG) conducted this audit to determine whether (1) overseas HUs were able to accurately track controlled and non-controlled drugs through the medical supply process; and (2) overseas HUs' inventories of controlled and non-controlled drugs met the current needs of the diplomatic community.

OIG performed audit work at Addis Ababa, Ethiopia; Gaborone, Botswana; Hanoi, Vietnam; Jakarta, Indonesia; Moscow, Russia; and Kingston, Jamaica.

What OIG Recommends

OIG made three recommendations to MED: (1) develop and issue standardized procedures for overseas HUs; (2) establish procedures for implementing an automated inventory system for pharmaceuticals; and (3) develop and implement training for Foreign Service medical provider (FSMP) personnel related to pharmacy administration. MED concurred with two recommendations and neither agreed nor disagreed with one recommendation, but stated steps have been taken to address the recommendation. OIG considers all three recommendations resolved, pending further action. MED's comments have been reprinted in their entirety as Appendix B.

UNCLASSIFIED

June 2015

OFFICE OF AUDITS

Contracts, Grants, and Infrastructure Division

Audit of Overseas Health Units Administration of Controlled and Non-Controlled Drugs

What OIG Found

OIG found that all five audited HUs that stocked controlled drugs had sufficient procedures in place to account for controlled drugs (Kingston, Jamaica, did not maintain any controlled drugs). However, none of the HUs at the six posts audited could fully account for non-controlled drugs, including vaccines, prescription drugs, and over-the-counter medications, throughout the entire medical supply process. This occurred, in part because:

- There are no standard operating procedures in place for guiding HUs to maintain effective controls and procedures in managing the medical supply process for non-controlled drugs.
- HUs do not have an electronic inventory system capable of tracking the receipt, dispensing, disposal, and transfer of non-controlled drugs.
- FSMPs do not receive pharmacy administration training as part of their formal medical training or MED-specific training.

Although OIG did not find any instances where HUs were not maintaining adequate drug inventory levels to meet the needs of the diplomatic community, reconciling inventories for non-controlled drugs is problematic given that HUs did not have standard operating procedures to account for all receiving, dispensing, transferring, and disposing of non-controlled drugs. As a result, HUs will continue to have difficulty reconciling their annual inventory with property records, as required by the *Foreign Affairs Manual*. Further, without systematic controls to account for the medical supply process, there is increased risk that theft, diversion, or waste of these drugs could go undetected.



OIG HIGHLIGHTS

View Report [AUD-MERO-15-25](#).

What OIG Audited

The Office of Inspector General (OIG) conducted this audit to determine whether the Department of State (Department) is effectively managing and monitoring the contractor's performance on the U.S. Mission Iraq medical services contract and whether the Department is adequately reviewing and approving contractor invoices to ensure that costs are reasonable, allowable, and allocable.

What OIG Recommends

OIG made recommendations for the Department to require the contractor to develop and implement a process for pharmaceutical and property inventories that accurately records and maintains transactions. OIG also made recommendations for the Department to review all invoices and recover questioned costs and any costs deemed unallowable. OIG considers one recommendation resolved and three recommendations unresolved based on responses provided by the Bureau of Administration, Office of Logistics Management.

UNCLASSIFIED

May 2015

OFFICE OF AUDITS

Middle East Region Operations

Audit of the U.S. Mission Iraq Medical Services

What OIG Found

In preparing for the December 2011 transition from military-led to civilian-led operations, the U.S. Mission to Iraq (Mission) awarded a contract to CHS Middle East LLC (CHS) for medical services valued at up to \$1 billion over 5 years. Between August 2011 and September 2012, the Department issued 15 task orders under the base CHS contract to provide medical services at 14 Mission facilities. The 15 task orders have a total authorized value of \$197 million, of which \$186 million has been obligated and \$181 million expended, as of November 6, 2014. Of those 15 task orders, 9 have since been terminated due to the Mission's planned staff reductions and facilities consolidation.

OIG found that the contractor generally performed in accordance with the terms and conditions of the contract and task orders. Early in the contract, 1 person was overseeing all 15 task orders, including monitoring contractor performance, and reviewing and approving invoices. Additional personnel were subsequently assigned to oversee the contract. In June 2014, all oversight personnel were relocated from Baghdad due to security threats, negatively affecting contract oversight. From June 18 to December 4, 2014, there were no individuals in Baghdad authorized to oversee the contract. In December 2014, OIG issued a Management Assistance Report* to the Bureau of Administration expressing concerns about the lack of authorized contract oversight personnel in Baghdad. Following our Management Assistance Report, a Contracting Officer's Representative for the contract was assigned to the embassy.

OIG also found discrepancies between the actual and recorded amounts of inventory that CHS staff could not explain. The discrepancies could result in CHS sites running out of needed medications or unnecessarily ordering medications already on hand. In addition, OIG questioned \$6,772,881 in invoice charges paid to the contractor. These questioned costs occurred, in part, because CHS did not always provide sufficient documents to support the invoice charges and the Department lacked personnel to complete thorough invoice reviews. OIG noted that as additional personnel were assigned to review the invoice charges, the amount of questioned costs decreased.

* Management Assistance Report: Concerns With the Oversight of Medical Support Service Iraq Contract No. SAQMMA11D0073 (AUD-MERO-15-20)



OIG HIGHLIGHTS

View Report: [ISP-I-15-21A](#).

What OIG Inspected

OIG inspected the U.S. Embassy in Riga during October 24–November 13, 2014.

What OIG Recommended

OIG made 24 recommendations to U.S. Embassy Riga and U.S. Department of State bureaus to improve policy implementation and management operations. These included recommendations to expand outreach to ethnic Russians; increase contact work in political/economic section reporting; establish a missionwide training plan for locally employed staff; provide training for the alternate cashier, motor pool personnel, and health unit staff; establish procedures to use the designated billing office to process all invoices and to use official residence expenses to pay residence staff health insurance premiums; improve expendable property record keeping, telephone operations, and pouch duties; reorganize the motor pool to improve supervisory oversight; and request funding to replace old vehicles.

The team also made recommendations to address housing and facilities issues, including leasing a temporary chief of mission residence in Riga town center to save more than \$150,000 per year in operating costs; identifying and allocating space for information systems center equipment storage; and installing plumbing and decontamination equipment at the mail screening container.

May 2015
OFFICE OF INSPECTIONS
Bureau of European and Eurasian Affairs

Inspection of Embassy Riga, Latvia

What OIG Found

- As Latvia evolves into a “frontline” state in the wake of the Ukraine crisis, mission sections and agencies are changing their focus to strengthening security relationships and increasing outreach to ethnic Russians, who constitute about 25 percent of the population.
- The chargé and acting deputy chief of mission are ably leading the mission in making this adaptation, as outlined in 3 *Foreign Affairs Manual* 1214. Externally, they are maintaining a strong U.S. presence in Latvian Government circles and with the Latvian public. Internally, they are helping the mission recover from an atmosphere of tension and lack of communication that pervaded the embassy prior to their arrival.
- The political/economic section is fulfilling its policy advocacy responsibilities but could improve the quality of its reporting through greater contact work.
- The public affairs section is an essential partner in mission strategic planning and carrying out Integrated Country Strategy goals and objectives. It has increased its engagement with Department of Defense elements, a change prompted by a new focus on bilateral and multilateral military cooperation, including the presence of U.S. soldiers in Latvian territory.
- Consular workload is not sufficient to justify filling an existing consular associate position. The existence of the position has created confusion and disappointment for eligible family members seeking employment and should be eliminated.
- The embassy should lease a temporary residence in Riga town center for the new Chief of Mission to bridge the time until the completion of a new chief of mission residence in 2016. The move will save the U.S. Government more than \$150,000 per year in operating costs.
- The health unit is performing well below expectations, and the new staff is in need of urgent, sustained on-site training from the Department of State’s Office of Medical Services.
- The larger and more functionally capable chancery, occupied in 2011, has allowed expansion in the number of users and devices the information management section must support, but the section’s staffing has not grown at the same pace.

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OIG HIGHLIGHTS

May 2015
OFFICE OF INSPECTIONS
Bureau of African Affairs

Inspection of Embassy Antananarivo, Madagascar

View Report: [ISP-I-15-20A](#)

What OIG Inspected

The OIG team inspected Embassy Antananarivo during October 7–29, 2014.

What OIG Recommended

The OIG team made 26 recommendations to Embassy Antananarivo intended to improve its operations and programs. Most of these addressed management control issues, including the American Center project.

What OIG Found

- The recently arrived chargé d'affaires has made a good start in leading the embassy during a period of profound change in the political situation in Madagascar and the subsequent restart of the bilateral relationship between Madagascar and the United States.
- A lack of oversight and poor recordkeeping over a period of years have resulted in management control vulnerabilities. In preparation for the inspection, the new chargé d'affaires initiated a self-assessment for all Department of State sections, which identified 122 action items. At the time of the inspection, the embassy had corrected 73 of them and was working to close the others.
- Disregard of policies and procedures concerning grants and cooperative agreements has put at risk the embassy's approximately \$700,000 2-year project to establish an American Center in Antananarivo.
- The embassy's management of public affairs grants does not comply with Department of State policies.
- Not all embassy elements fully participated in the drafting of the current Integrated Country Strategy. The changing political situation in Madagascar underscores the need for all agencies to participate in future reviews.
- The embassy identified ambitious U.S. goals and objectives for the Integrated Country Strategy for Union of the Comoros without identifying the necessary resources to achieve them.



OIG HIGHLIGHTS

View Report [AUD-FM-IB-15-30](#)

What OIG Audited

The Office of Inspector General (OIG) conducted this audit to determine whether the Broadcasting Board of Governors (BBG) was in compliance with the Improper Payments Information Act (IPIA) of 2002,^a as amended. Specifically, OIG determined whether BBG conducted a risk assessment for significant programs and evaluated whether BBG reported the required improper payments information in the FY 2014 Performance and Accountability Report (PAR). OIG also evaluated BBG's controls for preventing, detecting, and recapturing improper payments.

What OIG Recommends

OIG recommended that BBG develop and implement a methodology to strengthen its controls to ensure that BBG obtains and maintains sufficient and complete supporting documentation for payments.

In its May 6, 2015, response (see Appendix B) to a draft of this report, BBG concurred with the recommendation. Based on BBG's response, OIG considers this recommendation resolved, pending further action.

^a Pub. L. No. 107-300

UNCLASSIFIED
May 2015
OFFICE OF AUDITS
Financial Management Division

Audit of Broadcasting Board of Governors FY 2014 Compliance With Improper Payments Requirements

What OIG Found

OIG found that BBG was in substantial compliance with IPIA requirements. OMB Circular A-123, Appendix C, states that to be in compliance with IPIA, an agency must have conducted a program-specific risk assessment for each program, published a Performance and Accountability Report, and reported information on its efforts to recapture improper payments.^b

OIG found that BBG performed risk assessments for each of its programs and determined that none were susceptible to significant improper payments. BBG disclosed the required improper payments information in its PAR and posted the report on its website. In accordance with OMB Circular A-136, BBG included information on its payment recapture audit program in the PAR. BBG also completed and presented recaptured overpayment and "Do Not Pay" initiative tables in accordance with OMB requirements.

OIG found that BBG performed a cost-benefit analysis on its programs and determined that it was not cost effective to perform recapture audits. In addition, BBG complied with Federal requirements by notifying OMB and OIG of its conclusion.

Although BBG was in substantial compliance with IPIA, BBG's analysis of improper payments during the quantitative risk assessment indicated that the majority of payments identified as improper occurred because of insufficient or incomplete supporting documentation. Specifically, BBG did not have complete documentation to support some payments, and the documentation that was available did not have the required signatures or dates. Incomplete or missing documentation regarding payments hinders BBG's ability to identify all overpayments. We noted a similar document retention issue in the FY 2013 IPIA report.

^b OMB Circular A-123, Appendix C, includes other requirements for an agency to be in compliance with IPIA. However, these requirements are necessary only for programs identified as susceptible to significant improper payments.



OIG HIGHLIGHTS

April 2015

AFRICAN AFFAIRS

Inspection of Embassy Port Louis, Mauritius

What OIG Found

- The embassy's strategic planning documents reflect a realistic and limited set of goals and objectives, match policy priorities discussed by Washington-based officials, and are consistently used by all embassy sections when determining how to program limited fiscal and human resources.
- Regular visits to Embassy Port Louis from the regional human resources officer, the regional financial management specialist, the regional consular officer, and other experts provide additional management control oversight for the small mission.
- Processing immigrant visas at the U.S. Consulate General in Johannesburg would be more efficient than doing so at Embassy Nairobi, as is currently the case.
- Embassy Port Louis does not follow the required procedures for the management of grants.
- The embassy is packed into a small suite of offices in a commercial office building in downtown Port Louis. Although the facility meets security standards, [Redacted] (b) (5), [Redacted] (b) (7)(F) the layout poorly accommodates visitors to the consular section and Information Resource Center.

For more information, view the full report:
ISP-I-15-19A

What OIG Inspected

OIG inspected the U.S. Embassy in Port Louis during October 29–November 19, 2014.

What OIG Recommends

The OIG team made 16 recommendations to U.S. Embassy Port Louis intended to improve its operations and programs. The team recommended that all employees observe the policy for use of record and nonrecord emails as well as the standard filing system in a common-use drive.

The OIG team highlighted areas of concern, such as the timely submission of an FY 2015 Public Diplomacy Implementation Plan that cites the mission's Integrated Country Strategy goals and the approval of the request to change the designated post for processing immigrant visa applications.

The OIG team also made recommendations regarding motor vehicle, physical property, information technology, grants management, and a backup communications system for access to OpenNet.

April 2015

OFFICE OF INSPECTIONS

SOUTH AND CENTRAL ASIAN AFFAIRS

Inspection of Embassy Astana, Kazakhstan

What OIG Found

- Despite the prolonged absence of a confirmed chief of mission, Embassy Astana’s experienced leadership team, comprising a chargé d’affaires and a deputy chief of mission, provides effective direction and oversight of mission elements.
- The embassy uses advocacy and analysis effectively to advance U.S. interests with Kazakhstan in the areas of security, nonproliferation, development, and commerce.
- Public diplomacy is well integrated into mission planning in Astana and Almaty. The front office engages in and supports mission members’ participation in public diplomacy activities.
- Consulate General Almaty administrative support will switch from the U.S. Agency for International Development to the Department of State to improve service delivery. The Office of Inspector General supports this initiative.
- Low salaries for locally employed staff members undermine staff morale and risk increasing retention and recruitment challenges.



View report: [ISP-I-15-18A](#)

What OIG Inspected

OIG inspected the U.S. Embassy in Astana during October 2–28, 2014, and Consulate General Almaty during October 14–17, 2014.

What OIG Recommends

OIG made 14 recommendations to Embassy Astana and its Consulate General Almaty intended to improve its operations and programs. Most of these addressed resource and management weaknesses. The Office of Inspector General determined that the mission overall is managed efficiently and effectively under current leadership but highlighted areas of concern, such as locally employed staff dissatisfaction over salaries affected by currency devaluation and the inefficiency of the alternate service provider in the consulate general.



U.S. Embassy Astana, Kazakhstan





OIG HIGHLIGHTS

View Report: [ISP-I-15-17A](#).

What OIG Inspects

OIG inspected the U.S. Embassy in Dushanbe during October 29–November 15, 2014.

What OIG Recommends

The OIG team made 38 recommendations to U.S. Embassy Dushanbe intended to improve its operations and programs. More than half of these addressed resource and management weaknesses. The OIG team determined that the embassy's leadership is effective and engaged and that embassy functions have been performed despite multiple staffing gaps, curtailments, and medical evacuations. The OIG team highlighted areas of concern, such as deficiencies in basic management processes, a tight control of information flow that has undermined confidence in reporting in Washington, and inconsistent application of the worldwide visa referral policy.



U.S. Embassy Dushanbe, Tajikistan

~~SENSITIVE BUT UNCLASSIFIED~~

March 2015

OFFICE OF INSPECTIONS

South and Central Asian Affairs

Inspection of Embassy Dushanbe, Tajikistan

What OIG Found

- The Ambassador has shaped U.S. bilateral relations with Tajikistan during a sensitive time of transition as the United States shifts from military to diplomatic engagement in neighboring Afghanistan. Front office leadership has fostered good morale and enjoys the respect of the embassy community.
- Embassy Dushanbe has carried out essential functions in the face of multiple staffing gaps, curtailments, and medical evacuations. The management section is deficient in some basic processes.
- Tight front office control of information reported to Washington has undermined confidence that the embassy provides a full and reliable picture of local developments essential for assessment of Arms Export Control Act concerns.
- Public diplomacy is integrated in planning and practice. American Corners and Access English-language programs extend the embassy's reach to young audiences, despite travel difficulties in the country.
- The embassy's application of the worldwide visa referral policy does not comply with all requirements.
- The current medical reimbursement plan for the locally employed staff is not working and needs to be replaced.





OIG HIGHLIGHTS

View [AUD-SI-15-23](#).

UNCLASSIFIED
APRIL 2015
OFFICE OF AUDITS
Security and Intelligence Division

Audit of Bureau of International Security and Nonproliferation Administration and Oversight of Foreign Assistance Funds Related to the Export Control and Related Border Security Program

What OIG Audited

The objective of this audit was to determine whether the Department of State (Department), Bureau of International Security and Nonproliferation, Office of Export Control Cooperation's (ISN/ECC) administration and oversight of foreign assistance funding dedicated to the Export Control and Related Border Security (EXBS) Program ensures that funding was expended in accordance with Department policies, achieved desired results, and contributed to meeting the President's National Security Strategy.

What OIG Recommends

OIG made eight recommendations to ISN/ECC that are intended to improve the administration and oversight of the EXBS Program. Two recommendations involve ISN/ECC working with the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, to establish and implement a process to monitor contracting officer's representative (COR) files and grants officer representative (GOR) files. Four recommendations involve establishing and/or implementing policies to improve award administration and oversight. Two recommendations involve the maintenance of EXBS Program contract and grant data and end-use monitoring procedures. ISN/ECC concurred with all eight recommendations and has already implemented two recommendations.

What OIG Found

ISN/ECC provides assistance to foreign governments to support strategic trade control systems that meet international standards. ISN/ECC is responsible for developing, implementing, and managing the EXBS Program to help partner countries establish, strengthen, and enforce strategic trade control systems and policies consistent with international nonproliferation practices.

OIG found that ISN/ECC headquarters personnel did not adequately administer and oversee foreign assistance funding dedicated to the EXBS Program in Jordan, Mexico, and Morocco during FYs 2012–2013:

- ISN/ECC's COR and GOR files were incomplete;
- ISN/ECC did not maintain complete and accurate information related to awards issued and funds obligated;
- OIG found that ISN/ECC personnel purchased equipment that could not be used by the partner country, failed to communicate with stakeholders in a timely manner, and did not require contractors/grantees to submit key deliverables and performance reports; and
- ISN/ECC personnel did not properly retain documentation and information to provide to successive officials.

As a result, ISN/ECC headquarters personnel could not ensure that award performance indicators were being achieved, nor could they demonstrate that they had safeguarded the integrity of funds or reduced financial risk to the EXBS Program.

OIG found that EXBS personnel in two of three countries conducted required oversight of in-country EXBS Program activities and equipment donations and validated that award performance indicators were achieved and accurately reported.

Further, ongoing collaborations between ISN/ECC and U.S. agency partners helped to lower the risk of potential overlap between the EXBS Program and other interagency partners and promoted the whole-of-government approach outlined in the President's 2010 National Security Strategy.

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OIG HIGHLIGHTS

View [AUD-MERO-15-22](#).

Why OIG Did This Audit

The Office of Inspector General (OIG) initiated this audit to determine whether the Bureau of Population, Refugees and Migration's (PRM) administration and oversight of its humanitarian assistance provided in response to the Syrian crisis have been in accordance with Federal and Department of State (Department) regulations and guidance.

From January 2012 through December 2013, PRM obligated \$635 million through cooperative agreements, a grant, and voluntary contributions for humanitarian assistance projects in Egypt, Iraq, Jordan, Lebanon, and Turkey. OIG reviewed a judgment sample of four cooperative agreements, one grant, and two voluntary contributions. The seven instruments in the audit sample represent 64 percent of the humanitarian assistance funds obligated at that time. As of September 2014, the Department had obligated \$1.36 billion in humanitarian assistance.

What OIG Recommends

To improve the administration and monitoring of PRM's assistance instruments, OIG made four recommendations to PRM that encourage PRM grants officers and grants officer representatives (GOR) to develop monitoring plans for all of its assistance instruments and to follow all administrative procedures outlined in Department guidance. OIG also made two recommendations to the Bureau of Administration, Office of the Procurement Executive (A/OPE), to determine whether an amendment to grant S-PRMCO-GR-13-1060 was properly executed and to conduct a comprehensive review of its grants policy directives as applied to grants awarded to public international organizations. In response to a January 20, 2015, draft of this report, PRM and A/OPE concurred with the report recommendations.

UNCLASSIFIED

March 2015

MIDDLE EAST REGION OPERATIONS

Audit of Department of State Humanitarian Assistance in Response to the Syrian Crisis

What OIG Found

OIG found that PRM's performance in managing and overseeing the humanitarian assistance instruments was mixed. For the four cooperative agreements, valued at \$6 million, PRM had personnel in-country who conducted site visits, but the monitoring generally did not meet the requirements in Grants Policy Directive (GPD) 42, *Monitoring Assistance Awards*, because the grants officer and/or the GOR did not complete monitoring plans for assessing the awards progress. In addition, PRM did not assess the recipient's risk, even though the awards were performed in high-risk areas. Further, PRM completed limited reviews of the recipients' financial transactions and use of funds. OIG also identified several concerns with the monitoring techniques PRM used for the cooperative agreements—site visits, interim program evaluations, and recipient reports. A senior PRM official said that the comprehensive monitoring required for Syrian relief was problematic because of the urgency of providing the humanitarian assistance and travel restrictions that limited access to sites where assistance was provided.

OIG found similar problems with the grant in our sample. PRM managed a \$5 million grant to the United Nations High Commissioner for Refugees (UNHCR) as if it were a voluntary contribution. Department guidance requires that the grants officer track funds and grant activities closely for a grant to a public international organization. However, OIG found that the grants officer and GOR provided limited monitoring and did not have adequate assurance that taxpayer funds were spent as intended and within the period of performance in the grant agreement.

For the \$394 million in voluntary contributions awarded to UNHCR, Department guidance states that voluntary contributions require specific legislative authority and that funds used for voluntary contributions are not required to be tracked by the U.S. Government. The lack of direct oversight of these awards limits the Department's ability to ensure that funds were used as intended and that the activities funded met the goals of the award and the expected outcomes.

OIG also found that PRM did not comply with three Department administrative requirements. First, the grants officers did not use or fully complete the required award file checklist. Not completing the checklist can lead to mistakes in award management and oversight. Second, a grants officer did not properly close out the grant and improperly amended the grant 4 months after it had expired. Department guidance states that amendments cannot be made to a grant once the period of performance has expired. Finally, one cooperative agreement was not amended to reflect management changes for the recipient. Reporting key management changes is important to PRM so that it is aware of who has the legal authority to expend the awarded taxpayer funds.



OIG HIGHLIGHTS

March 2015

OFFICE OF EVALUATIONS AND SPECIAL PROJECTS

Review of the Use of Confidentiality Agreements by Department of State Contractors

View Report [ESP-15-03](#)

What OIG Found

All of the 30 contractors with the largest dollar volume of Department of State contracts used some variation of a confidentiality agreement or confidentiality policy. Some of the contractors had policies or agreements that might have some chilling effect on employees who are considering whether to report fraud, waste, or abuse to the government, such as non-disparagement clauses or provisions requiring notice to the company after receiving an inquiry from a government official. However, none of the companies reported that they had ever enforced any of these provisions against an employee or former employee who disclosed wrongdoing to the government. All 30 contractors also reported that they had a policy in place that encourages the reporting of fraud or legal and ethical violations and provides one or more ways for employees to do so.

From its review of the contractor responses and relevant legal and social science literature, OIG found that several practices are useful in encouraging employees to report fraud, waste, or abuse. These include use of an internal hotline with anonymous option; display of hotline posters in the workplace; a policy that advises employees of their right to contact the government directly if they have knowledge of fraud, waste, or abuse; notification to employees of the statutory protections against retaliation; and a corporate policy that endorses cooperation with a government audit or investigation.

What OIG Reviewed

The Office of Inspector General (OIG) initiated an inquiry into the use of confidentiality and non-disparagement agreements by 30 companies with the largest dollar amount of Department of State (Department) contract awards in 2012. All 30 contractors responded to OIG's inquiry and provided various company policies and handbooks.

This report analyzes responses received as a result of the inquiry and describes best practices to ensure that contractor employees are not constrained in their ability to report fraud, waste, or abuse regarding a Federal contract.

What OIG Recommends

OIG made three recommendations to the Department's Bureau of Administration (A).

OIG recommended that A instruct all contracting officers for the Department:

- a) send a copy of the list of best practices published in this report to all companies holding a contract with the Department;
- b) send a copy of the OIG hotline poster to all companies holding a contract with the Department with instructions to display it in common areas within business segments performing work for the Department; and,
- c) send a link to the OIG video on whistleblowing to all companies holding a contract with the Department with instructions to share the video with employees.



OIG HIGHLIGHTS

View Report: [ISP-I-15-15](#).

What OIG Inspected

The review took place in Washington, DC, between January 24 and March 15, 2014.

What OIG Recommended

OIG made seven recommendations to improve the use of record emails by Department of State employees and mission staff members. OIG recommended establishing a process to review record email usage across missions and bureaus, as well as issuing guidance to Department of State employees and mission staff members that specifies their record-keeping responsibilities, provides examples to guide choices among cables and record and working emails, and suggests the establishment of record email policies.

OIG recommended convening functionally defined focus groups to identify practical examples of official records; canvassing through focus groups in all bureaus periodically to identify obstacles to the use of SMART for record emails and cables; establishing an Electronic Records Management Working Group to advise on record emails and related issues; and making introductory and refresher courses on records management a requirement for Department of State employees.

OIG also recommended expanding the Foreign Service Institute's current record email training curriculum to include hands-on SMART client and classroom training as well as additional material on record-keeping requirements.

~~SENSITIVE BUT UNCLASSIFIED~~

March 2015

OFFICE OF INSPECTIONS

Domestic Operations and Special Reports

Review of State Messaging and Archive Retrieval Toolset and Record Email

What OIG Found

- A 2009 upgrade in the Department of State's system facilitated the preservation of emails as official records. However, Department of State employees have not received adequate training or guidance on their responsibilities for using those systems to preserve "record emails." In 2011, employees created 61,156 record emails out of more than a billion emails sent. Employees created 41,749 record emails in 2013.
- Record email usage varies widely across bureaus and missions. The Bureau of Administration needs to exercise central oversight of the use of the record email function.
- Some employees do not create record emails because they do not want to make the email available in searches or fear that this availability would inhibit debate about pending decisions.
- System designers in the Bureau of Information Resource Management need more understanding and knowledge of the needs of their customers to make the system more useful. A new procedure for monitoring the needs of customers would facilitate making those adjustments.

February 2015

DOMESTIC OPERATIONS AND SPECIAL REPORTS

Compliance Follow-up Review of the Bureau of Conflict and Stabilization Operations

What OIG Found

- The Department of State has complied with 36 of the 43 recommendations in the March 2014 inspection report on the Bureau of Conflict and Stabilization Operations, but essential recommendations involving the bureau's mission and organization remain open.
- The bureau corrected shortcomings in information technology, security, grants management, and equal employment opportunity.
- The bureau is working with the Under Secretary of State for Civilian Security, Democracy and Human Rights to define and implement a clearer mission. The Under Secretary circulated a road map in September 2014 that outlined new priorities and is working with the bureau to identify the organizational and staff changes necessary to achieve them.
- The most significant new priority would increase the bureau's planning and analytic capacity and limit overseas programs to avoid overlap with other bureaus and agencies.
- The Bureau of Human Resources is conducting a workforce and workload analysis that will be important to the success of rebalancing the bureau to focus on these new priorities. The analysis will include a review of overlap with other bureaus and agencies.
- The Department of State should reduce the number of deputy assistant secretary positions in the bureau to three from the current four. The bureau's size does not warrant the fourth position.
- The compliance follow-up review team identified one hiring practice that required attention. The bureau has authority to use personal services contracts to fill overseas positions only; the team found three instances where it was using these contractors for work in Washington. The bureau has resolved the three cases and is adopting appropriate standard operating procedures on the use of contractors.
- Teams from the Office of Civil Rights, the Office of the Procurement Executive, and the Office of Civil Service Human Resource Management contributed to improving the bureau's procedures and operations following the March 2014 inspection report.



OIG HIGHLIGHTS

For more information, view the full report: [ISP-C-15-13](#).

What OIG Inspected

OIG conducted a compliance follow-up review of the Bureau of Conflict and Stabilization Operations from September 8 to October 10, 2014.

What OIG Recommends

This compliance follow-up review contains nine recommendations stemming from OIG's March 2014 inspection report on the bureau.

The most important recommendation calls on the Under Secretary of State for Civilian Security, Democracy, and Human Rights to ensure that the new mission and priorities outlined for the Bureau of Conflict and Stabilization Operations are implemented in a timely manner. A related recommendation calls on the Bureau of Human Resources to complete a work force analysis of the bureau, including a review of areas of overlap with other bureaus and agencies. Both steps are necessary if the bureau is to function more effectively.

OIG also recommended that the bureau reduce front office staff and cease assigning personal services contractors to extended domestic assignments without proper authority.

OIG recommended the Department of State locate adequate working space for the bureau, which now has multiple employees assigned to inadequate workspaces. OIG reiterated a recommendation that the Bureau of Administration review the bureau's grants files.