

TESTIMONY OF HAROLD W. GEISEL
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U.S. DEPARTMENT OF STATE AND
THE BROADCASTING BOARD OF GOVERNORS

BEFORE THE

HOUSE COMMITTEE ON FOREIGN AFFAIRS

ON

WATCHING THE WATCHERS: THE NEED FOR SYSTEMIC
REFORMS AND INDEPENDENCE OF THE STATE
DEPARTMENT INSPECTOR GENERAL

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Thank you Chairman Ros-Lehtinen, Ranking Member Berman, and members of the committee for the opportunity to testify today.

Since being appointed by Secretary of State Rice during the summer of 2008, I have often told Office of Inspector General (OIG) employees that we have the best jobs in the Federal Government because we are paid to tell the truth. Our body of work, most of which is available to taxpayers on our Web site, is the true objective measure of our independence and effectiveness. We are the Department's best friend because we tell it what it needs to hear, which is not always what it wants to hear. When we perform oversight, we call it as we see it. OIG's reports, such as the recent inspection of Embassy Luxembourg and the inspection of Embassy Kabul with its more than 100 recommendations, and our audits of the new embassy construction in Baghdad, State Department actions regarding the December 25 attempted terrorist bombing, and passport snooping by Department employees clearly demonstrate that OIG is an independent and responsive oversight organization.

In fact, during my time in OIG, there has been a steady increase in requests from Congress and State Department officials for OIG to look at issues around the world. They know OIG is an independent oversight organization that will produce a timely, thorough, and honest report whether it is an audit, inspection, evaluation, or report of investigation.

OIG's track record over the past 3 years speaks for itself. Between the time that the Government Accountability Office (GAO) report was issued in 2007 and the close of FY 2010, the number of OIG reports issued annually increased from 107 to 157, the number of investigations opened increased from 36 to 101, OIG Hotline complaints processed grew from 527 to 1,354, OIG subpoenas issued increased from 0 to 25, and the

number of contractor suspension and debarment actions increased from 0 to 5 (4 in the Office of the Procurement Executive and 1 in the Directorate of Defense Trade Controls). We also made our oversight efforts more transparent by making our Web site more accessible and posting more than 400 reports on it, back to January, 2005.

Since GAO's 2007 report, OIG has substantially expanded its oversight in the Middle East, South and Central Asia, and, in particular, Afghanistan. We established a Middle East Regional Office (MERO) and Middle East Investigations Branch (MEIB), which provide boots on the ground at five overseas locations. Since August 2009, MERO has issued nine reports on contract and performance evaluations and limited-scope reviews of State Department programs in Afghanistan, and expects to issue one more report on the operations and maintenance support contract in Iraq. MERO also plans to issue its second report on the status of the Iraq Transition in the coming weeks. Other field work is now under way for several reviews of Bureau of Diplomatic Security programs and contracts concerning antiterrorism assistance within Iraq, Pakistan, and Afghanistan. In addition, the Office of Audits recently began a joint audit with the Department of Defense OIG on Afghanistan National Police Force training and another joint audit with the Special Inspector General for Afghanistan Reconstruction on issues related to the civilian uplift program.

Our investigative commitments have expanded similarly. From FYs 2004 to 2008, the Office of Investigations (INV) reported only four active investigations related to Iraq and the greater MERO region, none of which were performed in Afghanistan. INV, in partnership with the International Contract Corruption Task Force, now has 26 active investigations in the MERO region, 10 of which relate to Afghanistan.

In 2010, INV successfully worked with the Office of the Procurement Executive to achieve suspension and debarment actions against five State Department contractors, three of which pertained to investigations in Afghanistan. This result compares favorably to the single debarment action reported in the previous 5 years combined. We intend to encourage this upward trend with continuing investigations and an audit of the State Department and the Broadcasting Board of Governors (BBG) Suspension and Debarment programs by OIG's Office of Audits, which will start in April. All of these examples provide an objective measure of OIG's commitment to independent and robust oversight.

GAO has issued several reports about OIG and its predecessor organizations, nearly all of which were issued more than two decades ago. GAO's latest report in 2007 examined OIG operations during FYs 2001 through 2005. I would like to discuss the actions we have taken in response to the five recommendations GAO issued in that report.

1. GAO recommended that State OIG reassess the proper mix of audit and inspection coverage for the State Department's high-risk areas and management challenges.

Our activities are global in scope, supporting the highest priorities of the State Department. Our oversight extends to the State Department's and BBG's 60,000+ employees and more than 270 missions and other facilities worldwide, funded through combined annual appropriations of more than \$50 billion.

During my tenure in OIG, we have consulted on a regular basis with key stakeholders in the State Department and Congress regarding oversight of high-risk areas and management challenges. In January 2010,

the Office of Audits (AUD) reorganized from a “matrixed” organizational structure to a “divisional” organizational structure. Seven divisions were established in order to gain functional area expertise, contribute to an audit planning process that included high risk/cost programs, and operate in a more efficient and accountable manner.

The assistant inspectors general (AIGs) and their staffs engage in ongoing discussions about the proper mix of audits, inspections, and reviews as they plan their work. As GAO noted, Section 209 of the Foreign Service Act of 1980 requires OIG to inspect and audit each post, bureau, and other operating unit of the State Department at least once every 5 years. Our methodology for investing our resources includes a risk management approach that ensures all congressional and executive mandated audits and inspections are performed and that our remaining discretionary audits and inspections cover high-cost programs, key management challenges, and vital operations.

With the help of Congress, OIG’s resources have increased since 2008 after more than a decade of flat-line budgets. At the same time, the number, size, and complexity of missions abroad have expanded greatly over the past few decades. Our audits assess State Department and BBG efforts to achieve results-oriented management, identify major management challenges and recommend improvements.

In October 2011, MERO will be merged into the Office of Audits, making the Office of Audits the largest component of State OIG with over 90 full time employees (FTEs), as well as additional contractors who serve as auditors/analysts. We anticipate that the number of audits will substantially increase after the incorporation of MERO into AUD.

Conversely, our inspections cover three broad areas consistent with Section 209 of the Foreign Service Act of 1980: policy implementation; resource management; and management controls. The OIG community has long recognized the need to provide timely feedback to program managers and to review highly technical matters. The inspection and evaluation function fits that need. The inspection function is growing in number and size within the OIG community as noted in a January 2011 report by the Council of Inspectors General on Integrity and Efficiency (CIGIE) on “Growth and Development of the Inspection and Evaluation Community: 2010 Survey Results.” The Inspector General Reform Act of 2008 acknowledges the inspection and evaluation role of OIGs separate from the audit and investigative roles, and CIGIE updated the Quality Standards for Inspections and Evaluation in January 2011.

Our inspections have resulted in organization restructuring, improved processes and accountability, more efficient use of resources, better leadership, and enhanced security. While continuing with inspections of individual posts and bureaus, inspections identify systemic issues and best practices (now featured on our intranet site and accessible by the Department), conduct more thematic reviews, and provide a quick response capability to address issues raised by the Hill or senior management.

Some examples include de-mining programs in Iraq and Afghanistan, Chief of Mission oversight of PEPFAR programs, controls over the Youth Exchange Program, Review of the Selection Board Process, Support for staff assigned to high stress posts, processes to assess leadership and management of Department posts and bureaus, oversight of “R and R” travel, Haiti earthquake communication, and Kenya Constitution reform.

OIG's mix of oversight coverage is effective because our offices complement one another's efforts in an efficient manner. During each inspection cycle, OIG teams examine a wide cross section of issues at multiple posts and bureaus. Inspection teams give their draft reports to the chiefs of mission before they leave post, which often prompts compliance to begin immediately. If a team discovers an area that demands a deeper "drill down" audit or investigation, it refers the matter to the auditors or investigators. For example, an Office of Inspections (ISP) team discovered during its inspection of Embassy Baghdad that payment of overtime was an issue that required additional oversight. An audit team followed the inspection and produced major findings and recommendations that resulted in changes to overtime policies, which in turn led to better controls in place at the embassy. There are also frequent examples where individual inspection teams have referred matters to INV.

Finally, the State Department relies on the deterrent effects and timely, constructive recommendations and evaluations that flow from OIG's inspection process. In short, OIG's oversight process is efficient, effective, and in compliance with GAO's first recommendation.

2. GAO recommended that OIG should include inspections performed by the State IG's Office of Information Technology in its internal quality review process.

The Office of Information Technology was discontinued as a separate office in January 2008, with information technology (IT) audit staff reassigned to AUD and IT inspection staff reassigned to ISP. Because the IT inspection function is now a part of ISP, it is included in the internal

quality review process. Thus, OIG has complied with GAO's second recommendation.

3. GAO recommended that the State IG work with the Secretary of State to “Develop a succession planning policy for the appointment of individuals to head the State IG office in an acting IG capacity that is consistent with the IG Act regarding State IG appointment and provides for independent coverage in the event of delays between IG appointments. The policy should prohibit career Foreign Service officers from heading the State IG office in an acting IG capacity and specify within the IG’s own succession order that acting IG vacancies are to be filled by eligible personnel without State Department management careers.”

OIG was authorized two deputy inspectors general (DIGs): a Civil Service employee and a Foreign Service officer. We agree with GAO's concern about career Foreign Service officers serving as acting IG. OIG has taken action since GAO's 2007 report to help ensure that Foreign Service officers do not head the State IG in any capacity. The previous Foreign Service acting IGs all served as the DIG at the time they became the acting IG. The *Foreign Affairs Manual* (1 FAM 052.2) was amended after GAO's report so that the principal DIG was a Civil Service employee and “First Assistant” for purposes of The Federal Vacancies Reform Act of 1998. The Foreign Service DIG position in OIG was vacant for 5 years and, most important, it was abolished on January 22, 2011.

We still do not agree, however, with the final part of GAO's recommendation that acting IG vacancies be filled by eligible personnel

without State Department management careers. As OIG stated in its 2007 response to GAO, to eliminate from consideration all Civil Service officers with State Department management careers would unduly restrict OIG's ability to consider the broadest number of highly qualified candidates. In fact, the Foreign Service Act (22 U.S.C. § 3929 (a) (1) lists "knowledge and experience in the conduct of foreign affairs" as a qualifying factor for potential IGs. In sum, we believe we have complied with all but the last part of GAO's third recommendation, which we do not agree is in the best interests of OIG or the Department.

4. Regarding ISP, the GAO recommended that OIG "develop options to ensure that State IG inspections are not led by career Foreign Service officials or other staff who rotate to assignments within State Department management. Approaches could range from the State IG limiting its inspection activities to a level that is supportable without reliance on staff who routinely rotate to management offices, to permanently transferring or hiring additional staff, or FTEs, along with associated resources for the State IG office to eliminate the need to rely on Foreign Service and other rotational staff to lead inspections."

We understand that OIG's policy of using active and retired ambassadors (reemployed annuitants) to serve as inspection team leaders might raise a concern about the appearance of independence. That theoretical concern is greatly outweighed, however, by the overriding need to use inspectors with the requisite experience, expertise, and Senate-confirmed ambassador status to lead inspections of U.S. overseas missions. The House Committee on Foreign Affairs report on Section 209 of the Foreign Service Act of 1980 stated it well: "The Inspector General

must be served, on the one hand, by individuals who are trained in auditing, ...and, on the other hand, by individuals who possess foreign policy training and knowledge of the Foreign Service.”

Any potential concern is also mitigated by OIG’s transparency, vetting procedures, and recusal policies. All Foreign Service and Civil Service personnel are required to sign a statement of independence before working on any project. In addition, usually only two of the seven inspection teams are led by active-duty Foreign Service ambassadors. The others are led by reemployed annuitants. Moreover, all inspection team leaders report to and are rated by an AIG for inspections who is at the Civil Service Senior Executive Service (SES) level.

The preface to the January 2011 CIGIE Quality Standards for Inspections and Evaluations recognizes the unique needs of different agencies: “The inspection function at each Department/Agency is tailored to its unique mission.” It then specifically contrasts State OIG’s inspection function with that of other agencies by noting that, “For example, at the Department of State, inspections focus primarily on the adequacy of management of programs and activities in each of the American embassies and consulates, as well as in each bureau or major operating unit of the Department” Similar language has existed in the Quality Standards preface since 2005.

OIG needs the experience and expertise of its ambassadors to help design and implement inspections that are tailored to the unique mission of the State Department. This level of expertise and experience is particularly important if the chief of mission has little policy experience and/or leadership skills. Team leaders also prepare Inspectors Evaluation Reports on senior officials at inspected posts and domestic bureaus.

Those evaluations have been key to performance boards' review of personnel files for promotions, awards, or consideration for onward assignments. It is critical that they be prepared by former ambassadors who have the credentials to provide credibility to the reports.

In addition, the ratio of Foreign Service officers to Civil Service employees in ISP is relatively low. For example, of the 64 direct-hire staff members currently employed in ISP, only 17 are Foreign Service officers, and most retire after their assignments with OIG. These senior officers are subject matter experts in consular, political-economic, public diplomacy, or management operations. As such, they have the necessary credibility with the inspected entities to make recommendations to improve their programs or operations.

GAO has also expressed concern about the possibility that a Foreign Service officer/inspector's desire to receive favorable follow-on assignments might influence his or her objectivity. To the best of my knowledge, there is not a single case that any such behavior has ever occurred. This might be partially explained by the fact that there are checks and balances built into OIG's policies and procedures, as well as in CIGIE Quality Standards. Also, as stated previously, a Civil Service SES rates the performance of ISP team leaders.

All of these checks and balances help ensure that our inspectors perform their oversight objectively and independently. Once again, however, the best objective proof of our independence can be found in our reports. In short, we were authorized by statute, for good reasons, to use Foreign Service officers in our inspections, and thus we do not concur with GAO's fourth recommendation.

5. Finally, GAO recommended that “in order to provide for independent investigations of State Department management and to prevent duplicative investigations, we recommend that the State IG work with the Bureau of Diplomatic Security (DS), the Office of Management, and the Secretary of State to develop a formal written agreement that delineates the areas of responsibility for State Department investigations. Such an agreement would, for example, address the coordination of investigative activities to help ensure the independence of internal departmental investigations and preclude the duplication of efforts.”

We agreed with the wisdom of this recommendation and signed a Memorandum of Understanding with the Department of State effective late last year. Previous IGs had tried to negotiate such an agreement, on and off, since 2001. Our Memorandum of Understanding (MOU) delineates the areas of responsibility and, among other things, ensures the independence of OIG investigations and precludes duplication of efforts, thereby making OIG compliant with GAO’s fifth and final recommendation. In signing the MOU, both parties agreed to provide timely notification to each other of information relevant to their respective missions.

This cooperation is being implemented through the following means: regular communication concerning investigative referrals and relevant investigative information between DS Division Chiefs and OIG Special Agents in Charge by email, telephone and personal meetings; bi-monthly meetings between the Deputy AIG for Investigations and the DS Office Director for Investigations and Counterintelligence, who is responsible for all DS investigations, wherein new case information is

shared; communication channels were established by the Deputy AIG for Investigations with the Training and International Programs Directorates of DS; and meetings occurred between the Assistant Inspector General for Investigations (AIG-I) and each Directorate Head in which their full support was received.

Furthermore, quarterly meetings are occurring between the AIG-I and the Assistant Director for Domestic Operations, the two signatories on the MOU. Regular communications are occurring between the IG and the Assistant Secretary for DS.

Discussions are underway concerning cross checking of investigative subjects, whereby each organization is contacted to cross check and de-conflict prior to an investigation being initiated. In addition, DS has agreed to add OIG INV as a presenter during their formal training course that all DS agents attend prior to their departure for an overseas assignment, to educate all overseas DS agents of the OIG investigative mission and associated, requisite reporting.

Finally, when DS refers information sufficient to consider opening a preliminary investigation to OIG INV, it is processed through the Hotline intake system like all other referrals/allegations, and is assigned to an investigative division for further review. DS is notified if INV determines it does not merit OIG action.

INV is working with CIGIE Investigative Peer Review points of contact to ensure they review the procedures implemented pursuant to this MOU for functionality and effectiveness during each recurring review. The overall intent of the MOU is to promote the effectiveness of both organizations in their service to the Department and U.S. Government.

Once again, thank you Madam Chairman and Ranking Member Berman for the opportunity to appear today. I would be pleased to take any questions you have at this time.