REVIEW OF THE FISCAL YEAR 2023
U.S. DEPARTMENT OF STATE BUDGET REQUEST

STATEMENT BY
DIANA R. SHAW
SENIOR OFFICIAL PERFORMING THE DUTIES OF THE INSPECTOR GENERAL
FOR THE U.S. DEPARTMENT OF STATE AND THE U.S. AGENCY FOR
GLOBAL MEDIA

BEFORE THE SENATE APPROPRIATIONS SUBCOMMITTEE
ON STATE, FOREIGN OPERATIONS, AND RELATED PROGRAMS

APRIL 27, 2022
Chairman Coons, Ranking Member Graham, and Members of the Subcommittee, thank you for the opportunity to provide testimony today for this hearing on the U.S. Department of State’s fiscal year 2023 budget.

The Office of Inspector General (OIG) for the U.S. Department of State (Department) inspects embassies and diplomatic posts throughout the world to determine whether policy goals are being achieved and whether the interests of the United States are being represented and advanced effectively. OIG performs specialized security inspections and audits in support of the Department’s mission to provide effective protection to our personnel, facilities, and sensitive information. OIG also audits Department operations and activities to ensure that they are as effective, efficient, and economical as possible. Finally, OIG investigates instances of fraud, waste, and mismanagement that may constitute either criminal wrongdoing or violation of Department regulations. In short, OIG plays a crucial role in overseeing the funds Congress appropriates to the Department for its many programs and activities and we believe that our work can assist Subcommittee Members in making funding decisions.

In this testimony, I will discuss the impact of our work and highlight some of our recent and ongoing projects, including our Afghanistan-related work. Finally, I will conclude by discussing some of the challenges we face in fulfilling our oversight mission in the current budget environment.

MISSION AND RESULTS

OIG’s mandate requires us to oversee both Department and U.S. Agency for Global Media (USAGM) programs and operations, which include more than 80,000 employees and more than 270 overseas missions and domestic entities. We also provide oversight for the U.S. International Boundary and Water Commission, United States and Mexico (USIBWC), a federal agency that operates under the foreign policy guidance of the Department. In terms of dollars, we are responsible for the oversight of more than $81 billion in Department, USAGM, and foreign assistance resources.

In pursuit of this mission, OIG provides valuable return on investment through its audits, evaluations, inspections, and investigations. In FY 2021, OIG identified more than $700 million in questioned costs and taxpayer funds that could be put to better use. Additionally, OIG’s criminal, civil, and administrative investigations produced $17 million in monetary results (including fines, restitution, and recoveries) in the last fiscal year. Most recently, the contribution of our investigative efforts led to a nearly $1 million settlement in a false claims case involving a contractor that provided medical services at Department facilities in Iraq and Afghanistan.¹

Beyond the quantifiable, our work produces benefits that add enormous, if unmeasurable, value. First and foremost, our safety and security work is a source of immense pride. By helping

¹ Department of Justice (DOJ), “Medical Services Contractor Pays $930,000 to Settle False Claims Act Allegations Relating to Medical Services Contracts at State Department and Air Force Facilities in Iraq and Afghanistan,” March 8, 2022.
the Department improve its security, OIG’s work safeguards the lives of the thousands of people who work in or visit U.S. posts abroad and at home. For example, our recommendations frequently address inadequate compliance with emergency planning standards, facility safety and security deficiencies, and the lack of adherence to motor vehicle safety standards in the operation of official vehicles overseas.

Finally, our investigative work consistently holds Department and USAGM employees, contractors, and grantees accountable. In FY 2021, OIG obtained 22 indictments or informations and 17 convictions. One conviction led to a former Department employee being sentenced to 1 year in federal prison for wire fraud. OIG special agents determined that, over the course of 3 years in his role as a budget analyst at Embassy Port-au-Prince, the employee embezzled more than $150,000.2 We also obtained nine debarments in FY 2021.

OVERSIGHT EFFORTS

Our oversight work has identified persistent challenges that can be sorted into three categories: safety and security, stewardship, and staffing. Key findings in these areas are described below.

Safety and Security

Safeguarding people, facilities, property, and information is a continual challenge for the Department. While the Department’s efforts to promote security are commendable, our work continues to find issues that pose health and safety risks, including physical security and safety deficiencies at residences. Many of our reports and findings on the topic of security are sensitive but unclassified or classified, but I will share some of our efforts that are appropriate for this setting.

One example of our work exposing a health and safety risk comes from the inspection of the Bureau of Overseas Buildings Operations’ Office of Fire Protection, which oversees a fire safety program responsible for promoting safe living and working conditions for Department employees at overseas posts.3 Our inspectors found that the Department’s annual process used to assess management controls within Department entities did not require chiefs of mission to attest or certify that their posts had an effective fire protection program. We concluded that the lack of assurances that missions are complying with requirements related to fire protection could increase the risk of fires and expose staff to unsafe facilities.

Another example comes from a wire fraud case that led to a sentence of nearly 3 years in federal prison and $200,000 in fines and restitution.4 In coordination with other law enforcement agencies, OIG special agents helped reveal that a Texas man had been selling

---

2 DOJ, “Former State Department Employee Sentenced to Federal Prison for Embezzling more than $150,000 from Department of Defense,” December 1, 2021.
substandard Chinese-made military helmets, body armor, and other products to the Department and other federal agencies while falsely claiming that his company manufactured the goods in Texas. Some of the equipment had been used at Mission Iraq but was removed from service when concerns about its quality were exposed.

In addition to the security of people and property, we often focus on information security, and our oversight of the Department’s IT security program continues to identify numerous control weaknesses. The FY 2021 Federal Information Security Modernization Act (FISMA) audit concluded again that the Department had not fully developed and implemented an effective organization-wide information security program.\(^5\) We reported that the Department is operating below an effective level in eight of the nine FISMA domains, making it vulnerable to cyberattacks and threats to its critical mission-related functions.

Another issue of concern is the large number of outstanding recommendations addressed to the Bureau of Information Resource Management, the entity responsible for developing and administering the Department’s computer and information security programs and policies. In a report issued in December 2021 that analyzed open OIG recommendations addressed to the bureau, we identified 90 recommendations awaiting action, including some that have been open since 2014.\(^6\) As a result of the concerns described in the report,\(^7\) OIG recommended that the Under Secretary for Management verify that the bureau is developing plans of action and milestones to address each open recommendation.

Information systems security officers are like frontline enforcers of Department information systems security policies that ensure the protection of the Department’s computer infrastructure, networks, and data. Unfortunately, OIG has found widespread deficiencies in the performance of such duties. In a review of 51 OIG inspections issued from 2016 through 2019, we found nearly half identified repeated deficiencies related to reviews of user accounts, information systems audit logs, or proper configuration, operation, and system maintenance.\(^8\)

**Stewardship**

Efficiently and effectively managing its significant resources is another longstanding challenge for the Department. OIG’s work demonstrates that the Department could enhance its stewardship of taxpayer resources by improving its ability to identify and address weaknesses in financial and property management and contract and grant oversight. Additionally,

---


\(^6\) As of March 31, 2022, OIG identified approximately 90 open recommendations addressed to the Bureau of Information Resource Management.


identifying and addressing weaknesses in its internal controls is an element of the Department’s stewardship challenge.

During one audit, we reported that the Department did not consistently use a general budget object code in accordance with requirements when recording expenses.9 Recording expense data to the appropriate code is essential for management officials to have complete and accurate data for assessing spending patterns. Until deficiencies in the use of the budget object codes are addressed, the Department will not have a full understanding of the specific purpose of its expenses or a method to easily identify how billions of dollars of funds were used.

Property management deficiencies are likewise common, as we frequently report in our inspections of overseas posts. We often note problems with managing the acquisition, storage, distribution, and monitoring of fuel. In a recent review of our own reports addressing fuel management from FY 2016 to FY 2020, OIG identified systemic weaknesses in the Department’s management of its overseas fuel stock and we assessed the Department’s progress toward addressing common deficiencies.10 The resulting information report serves as a reference for posts seeking to strengthen fuel management practices and the Department expressed its intention to use the report in applicable training. Additionally, a recent referral prompted us to review gift vault access controls at the Office of Chief of Protocol.11 We determined stronger inventory controls were needed in order to ensure accountability of office staff and protect items stored in the gift vault, many of which are of significant value.

Turning to contracts, in a series of audits published last fiscal year, we examined myriad management and oversight shortfalls related to contracts in support of overseas contingency operations. Because of the Department’s frequent use of noncompetitive contracts for securing support services for its operations in Afghanistan and Iraq, we took a closer look at compliance with federal regulation and acquisition policies when awarding such contracts. Our audit found that none of the awards we reviewed had been publicly justified, as required.12 We also had concerns that the Department did not fully take the required steps to ensure that fair and reasonable prices were paid on noncompetitive contract awards, a risk inherent in foregoing competition when awarding contracts.

Further, we issued a management assistance report calling on the Department to reduce its use of “bridge contracts,” which are sole-source, short-term awards to the incumbent contractor to avoid a lapse in service when there is a delay in awarding a follow-on contract.13 We found these types of contracts were frequently used in Afghanistan and Iraq over multiple years to

---

9 OIG, Audit of the Department of State’s Use of “Not Otherwise Classified” Budget Object Codes (AUD-FM-22-21, February 2022).
noncompetitively extend contract services. Such a practice limits the Department’s ability to realize potential cost savings by maximizing full and open competition. Another audit related to this body of work concluded that the Department, as a result of poor acquisition planning, noncompetitively awarded two contracts for essential services at Mission Iraq. Because federal law does not permit poor planning as justification for the use of noncompetitive awards, we questioned the full value of the two contracts at a combined cost of $663 million.

Likewise, proper oversight and management of grants and cooperative agreements continues to be a challenge for the Department. In an audit to determine whether recipients of certain Department grants and cooperative agreements complied with the cost-sharing requirements of their award agreements, we concluded that internal controls meant to ensure proper oversight of such awards needed improvement. For example, we found that monitoring plans were not tailored to awards, monitoring controls were not adjusted when the pandemic prevented site visits, and training for oversight staff did not provide adequate instruction regarding oversight of cost-share requirements. Such deficiencies led to unsupported or unallowable cost-share transactions for the Department.

During an ongoing audit related to grants and cooperative agreements awarded by the Department for countering Iranian influence, we issued a Management Assistance Report concerning internal control deficiencies at the Global Engagement Center (GEC). These lapses resulted in a situation where third-party contractors were performing inherently governmental functions on a large percentage of the awards reviewed. GEC did not ensure that grants officer representatives were properly assigned and designated throughout each award’s period of performance, which posed risks for award management and oversight. Finally, in an inspection of the Office to Monitor and Combat Trafficking in Persons, we highlighted instances where monitoring and grant oversight activity was not properly documented in award files, an issue frequently noted in our inspections of other entities.

Our work also highlights the Department’s numerous difficulties related to internal controls. In a review of our own previous inspection reports, we found that 51 of the 52 reviewed contained findings that involved vulnerabilities in internal controls, which placed programs, personnel, resources, or sensitive information at risk. OIG found that missions did not effectively use the Department’s annual statement of assurance process to identify and address these deficiencies. In a more specific example, a recent audit concluded that internal controls involving the process to prepare residences for occupancy at Embassy Cairo were not fully

---

14 OIG, Audit of Acquisition Planning and Cost Controls While Transitioning Support Service Contracts in Iraq (AUD-MERO-21-43, September 2021).
15 OIG, Audit of Compliance With Cost-Sharing Requirements for Selected Department of State Grants and Cooperative Agreements (AUD-CGI-22-12, November 2021).
effective in safeguarding expenditures related to this process.\textsuperscript{19} Internal control weaknesses contributed to questionable expenditures and a potential for over reliance on overtime.

\textit{Staffing}

Our work reveals that many of the critical challenges facing the Department are caused or compounded by staffing gaps, frequent turnover in key positions, and inexperienced or undertrained staff. Moreover, instances of poor leadership, lack of coordination between and within Department bureaus and offices, and conflicting lines of authority have, at times, undermined the Department’s effectiveness and negatively impacted employee morale.

We took a closer look at some of these human resources issues during an audit conducted in the Bureau of Global Talent Management, which has the critical responsibility of recruiting, developing, assigning, and supporting the Department’s workforce.\textsuperscript{20} We audited certain human resources services provided to eight other Department bureaus and found that over 90 percent of competitive hiring recruitment actions were not completed within required timeframes. Some of the bureau’s difficulties were a result of its own staffing challenges, which hampered its ability to help other bureaus recruit, classify, and fill mission-critical Department positions.

Another example of challenges related to staffing comes from our inspection of the Bureau of East Asian and Pacific Affairs, a bureau encompassing a region with many crucial foreign policy priorities, including U.S.-China relations.\textsuperscript{21} There, we found that inefficient organizational structures, staffing constraints, large numbers of temporary staff that frequently turnover, and increasing workloads hindered operations in some offices.

Our inspectors regularly measure senior officials’ practices against the Department’s leadership and management standards and note where leaders fall short. In one review, we noted numerous leadership failures in the Bureau of Consular Affairs contributed to a stunning lack of progress on a long running initiative to modernize and consolidate approximately 90 discrete consular legacy systems into a common technology framework.\textsuperscript{22} Even though the office responsible for the initiative has continually missed deployment dates, we found no evidence that leadership scrutinized the office or held staff accountable for missed deadlines. More worrisome, even though the modernization effort has cost millions of dollars and is critical to the bureau’s ability to meet its mission in the future, leaders were unable to provide a clear,  

\textsuperscript{19} OIG, \textit{Audit of the Process To Prepare Residences for New Tenants at U.S. Embassy Cairo, Egypt} (AUD-MERO-22-23, March 2022).


uniform definition of the initiative, what components it included, and which contracts supported it.

**AFGHANISTAN-RELATED WORK**

In the wake of the Department’s suspension of operations in Afghanistan last year, OIG devoted substantial time and directed significant resources to planning and coordinating oversight activities that focus on key aspects of the situation and its aftermath. Our plans include reviews of the Special Immigrant Visa program, the resettlement of Afghan evacuees, and Embassy Kabul emergency planning and evacuation efforts. The latter work will focus on whether the embassy followed established Department guidance in preparation for the evacuation of U.S. Government personnel, private U.S. citizens, Afghans at risk, and others from Afghanistan prior to and following the suspension of operations. These projects are in progress, and we continue to closely coordinate our ongoing and planned work with other relevant OIGs.

In January, we completed a project that reviewed open recommendations specific to Embassy Kabul and analyzed whether, in consideration of the suspension of operations, they should be closed, redirected, or remain open. The review allowed us to identify issues that had been rendered moot by the events of last August. We have also attempted to add value in ways that do not require new work to be performed. For example, we published a report on lessons learned for establishing remote missions when events dictate that Department operations must cease in another country. Although not directly related to Kabul, after the suspension of operations, we provided a copy to the Embassy Kabul management team to use as a reference when establishing the Afghanistan Affairs Unit.

**RESOURCES**

We appreciate this Subcommittee’s ongoing support of our work. In particular, we are grateful for the inclusion of supplemental funding for Ukraine-related oversight work in the FY 2022 omnibus appropriations bill. The Subcommittee’s timely foresight in recognizing the draw on OIG resources created by Ukraine-related events means that OIG will be able to initiate important oversight work without compromising other mission-critical oversight projects as would be necessary without the additional funds. We are in the process of planning Ukraine-related oversight projects and will be in contact with you and your staff as we progress.

However, OIG’s budget has remained relatively flat in recent years, jeopardizing our ability to sustain high-quality oversight work across the wide spectrum of programs and activities at the Department and USAGM. Increased IT costs (including costs associated with cybersecurity), unforeseen pandemic-related expenses, mandated work, and large-scale oversight projects like

---


our oversight work on Afghanistan-related events, have resulted in an increasing and alarming strain on our budget and required us to delay some previously prioritized work.

OIG has been grappling with these funding challenges while facing perhaps its greatest challenge – advancing OIG’s oversight mission in the midst of a global pandemic. On this front, I am particularly proud to highlight OIG’s remarkable adaptability. Despite 2 years of restrictions that made traveling overseas to conduct inspections and audits of embassies and posts nearly impossible, we continue to meet our unique oversight requirements under the Foreign Service Act by performing audit work remotely and by developing and deploying remote and hybrid inspection models. However, with an anticipated increase in travel costs in FY 2023, OIG will be forced to decrease the amount and scope of work we complete in order to support the resumption of travel unless additional funding is provided.

OIG also has demonstrated remarkable ingenuity and resilience in the face of ever-evolving IT challenges. After years of operating within the Department’s IT systems, OIG made the decision to migrate to an independent IT architecture in 2015, a congressionally supported initiative. We believed then, and continue to believe today, that an independent IT network is critical to OIG’s independence, security, and ability to fulfill its mission. Since then, OIG has striven to be a model within the federal government; in the annual FISMA report, we received one of the two highest ratings across all five risk categories, a major and rare accomplishment across the Federal Government, despite the significant IT challenges we faced related to the pandemic. Yet, with increasing IT and labor requirements, adequately providing the necessary maintenance, support, and cybersecurity for the network is a challenge in our current budget environment. Moreover, recent IT modernization and cybersecurity requirements, including Executive Order 14028, “Improving the Nation’s Cybersecurity,” issued on May 12, 2021, place additional strain on existing labor resources and require adequate funding to accomplish.

Beyond making the sustainment of current operations a challenge, a largely static budget also presents implications for our ability to take on important discretionary work, including work on big initiatives of congressional interest such as Afghanistan. OIG developed its Afghanistan-related oversight plans in close coordination with the broader IG community. OIG’s Afghanistan-related projects will—when combined with the work being performed by other agencies’ OIGs—provide a comprehensive, whole-of-government review of recent and ongoing developments related to Afghanistan. In order to fund the timely completion of this important work, OIG had to abandon or delay plans to conduct eight non-Afghanistan-related projects and shift an estimated $5.5 million in resources to the emerging Afghanistan priority.

Unfortunately, without supplemental funding for this unexpected work, OIG does not have the means to undertake these Afghanistan-related projects and complete the eight non-Afghanistan projects from which OIG diverted the required resources. Such work included Worldwide Protective Services (WPS) II Contracts, the Central America Regional Security Initiative, Counter-narcotics Assistance in East and Southeast Asia, Overseas Construction Contracts, the Department’s COVID-19 response, and Whistleblower Protection Notifications to Contractor and Grantee Employees. Due to increasing resource constraints, we are
unfortunately having to delay or cancel projects that were designed to target high-risk areas and that could have led to significant improvements in the programs and activities we oversee. I want to take this opportunity to clearly communicate the nature of these difficult trade-off decisions so that Members may consider alternative approaches to funding OIG’s operations going forward.

CONCLUSION

I am incredibly proud of the work done by my colleagues in OIG and the value we provide to the Department, USAGM, Congress, and U.S. taxpayers. We are a talented and committed team of professionals dedicated to helping the Department and USAGM successfully accomplish their respective missions through robust oversight and solution-oriented recommendations. I want to thank my team for their resilience, ingenuity, integrity, and leadership.

I also want to again thank Chairman Coons, Ranking Member Graham, and Members of the Subcommittee for the opportunity to submit testimony. I take my statutory requirement to keep Congress fully and currently informed seriously, and I appreciate your interest in our work.