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AND THE BROADCASTING BOARD OF GOVERNORS
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Inspection of the Bureau of International Security and Nonproliferation

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PURPOSE, SCOPE, AND METHODOLOGY OF THE INSPECTION

This 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 the Office of Inspector General for the U.S. Department of State (Department) and the Broadcasting Board of Governors (BBG).

PURPOSE AND SCOPE

The Office of Inspections provides the Secretary of State, the Chairman of the BBG, and Congress with systematic and independent evaluations of the operations of the Department and the BBG. Inspections cover three broad areas, consistent with Section 209 of the Foreign Service Act of 1980:

- **Policy Implementation:** whether policy goals and objectives are being effectively achieved; whether U.S. interests are being accurately and effectively represented; and whether all elements of an office or mission are being adequately coordinated.
- **Resource Management:** whether resources are being used and managed with maximum efficiency, effectiveness, and economy and whether financial transactions and accounts are properly conducted, maintained, and reported.
- **Management Controls:** whether the administration of activities and operations meets the requirements of applicable laws and regulations; whether internal management controls have been instituted to ensure quality of performance and reduce the likelihood of mismanagement; whether instances of fraud, waste, or abuse exist; and whether adequate steps for detection, correction, and prevention have been taken.

METHODOLOGY

In conducting this inspection, the inspectors: reviewed pertinent records; as appropriate, circulated, reviewed, and compiled the results of survey instruments; conducted on-site interviews; and reviewed the substance of the report and its findings and recommendations with offices, individuals, organizations, and activities affected by this review.



United States Department of State
and the Broadcasting Board of Governors

Office of Inspector General

PREFACE

This report was prepared by the Office of Inspector General (OIG) pursuant to the Inspector General Act of 1978, as amended, and Section 209 of the Foreign Service Act of 1980, as amended. It is one of a series of audit, inspection, investigative, and special reports prepared by OIG periodically as part of its responsibility to promote effective management, accountability, and positive change in the Department of State and the Broadcasting Board of Governors.

This report is the result of an assessment of the strengths and weaknesses of the office, post, or function under review. It is based on interviews with employees and officials of relevant agencies and institutions, direct observation, and a review of applicable documents.

The recommendations therein have been developed on the basis of the best knowledge available to the OIG and, as appropriate, have been discussed in draft with those responsible for implementation. It is my hope that these recommendations will result in more effective, efficient, and/or economical operations.

I express my appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in cursive script that reads "Robert B. Peterson".

Robert B. Peterson
Assistant Inspector General for Inspections

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Key Findings

- Bureau of International Security and Nonproliferation staff members are mission oriented and proud of their work. They appreciate the roles played by the Assistant Secretary and deputy assistant secretaries as subject matter experts, skilled negotiators, and advocates of the bureau's interests.
- Colleagues in the Department of State and the interagency community acknowledge that the Bureau of International Security and Nonproliferation is effective in the foreign policy area. Its expertise, flexibility, and experience have been on full display during the ongoing international campaign to remove Syria's chemical weapons.
- The bureau's legacy responsibilities for a variety of treaties, regimes, and agreements, along with current and world-events-driven tasks, pose a challenge to the small leadership team, which has not paid sufficient attention to managing bureau resources.
- The bureau is giving short shrift to policy planning and resource management and should reestablish a formal strategic planning function.
- Bureau leadership does not give sufficient importance to workforce planning, professional development, and training. Upward mobility is limited, and a significant number of employees are eligible to retire. Dependence on contractors creates vulnerabilities and represents a potential control risk. These issues are not exclusive to the Bureau of International Security and Nonproliferation; nevertheless, the bureau must address them.
- The bureau has nearly \$600 million under active management. To provide proper management, oversight, and stewardship of the significant foreign assistance funds under its purview, the bureau needs a comptroller's office, better program and financial information management tools, and program officers qualified to manage multimillion-dollar project portfolios.
- In 2012, an independent auditor, under the direction of OIG, audited the controls surrounding funds handled by the Nonproliferation and Disarmament Fund, which has requested a followup OIG review. Funds for programs in other offices have not been audited. At the suggestion of the inspection team, the Bureau of International Security and Nonproliferation leadership agreed to assist OIG with its plan to audit those offices.
- The executive director is underutilized. Although bureau staff is generally satisfied with routine executive office services, the director plays no role in bureau resource management or strategic planning.

All findings and recommendations in this report are based on conditions observed during the on-site review and the standards and policies then in effect. The report does not comment at length on areas where the OIG team did not identify problems that need to be corrected.

The inspection took place in Washington, DC, between January 3 and March 21, 2014. Ambassador Maura Harty (team leader), Charles Silver (deputy team leader), Michael Boorstein, Mary Daly, Ambassador Cynthia Efird, Deborah Graze, Dolores Hylander, Christopher Mack, Monica O'Keefe, Ambassador Peter Prahar, Iris Rosenfeld, and Moosa Valli conducted the inspection.

Context

The principal mission of the Bureau of International Security and Nonproliferation (ISN) is to prevent, disrupt, and roll back, where possible, the proliferation of weapons of mass destruction (WMD) such as nuclear, radiological, biological, and chemical weapons; their delivery systems; and destabilizing conventional weapons.¹ The bureau proudly notes President Obama's 2009 Prague speech in which he stated "clearly and with conviction America's commitment to seek the peace and security of a world without nuclear weapons."² That is ISN's inbox. It would be difficult to pick up a newspaper over the past year and not see a role for the bureau in some of the most important issues of the day. Mission orientation and subject matter expertise define the bureau's workforce. OIG questionnaires and interviews with staff indicate that morale is good.

ISN is one of three bureaus that report to the Under Secretary for Arms Control and International Security (Under Secretary). In 2004, a single team of OIG inspectors carried out a sequential inspection of three former bureaus: the Bureaus of Nonproliferation, Arms Control, and Verification. The team's key recommendation was that the three bureaus be merged into two. This time, two different OIG teams conducted concurrent inspections of ISN and its sister Bureau of Arms Control, Verification, and Compliance (AVC). The two bureaus, plus the Bureau of Political-Military Affairs (PM), share a joint executive office housed administratively in ISN.

Since the previous inspection, ISN has undergone continuous change, most recently in 2010, when the current structure went into effect. ISN derives its authority from 65 separate sources, including constitutional, executive, and legislative authorities; treaties, conventions, and agreements; multilateral nonproliferation regimes; United Nations agreements; and other authorities.³ The bureau also derives authority from the National Security Presidential Directive 17, the Quadrennial Diplomacy and Development Review, and the President's 2009 Prague speech. Together, these encompass a complex and wide-ranging array of responsibilities. ISN brings considerable human and financial resources to bear in carrying out these responsibilities.

Foreign assistance funding plays an important role; in FY 2013, the bureau received approximately \$270 million and, with unliquidated obligations from prior years, is managing close to \$600 million, including funds from other agencies and other countries. Effective management and oversight of these financial resources are key to achieving the bureau's mission.

ISN's recent work on such high-profile matters as Syria's chemical weapons, the Arms Trade Treaty, and peaceful nuclear cooperation ("1-2-3") agreements speak to the bureau's expertise, flexibility, and ever-evolving mission. However, a 2005 name change from the Bureau of Nonproliferation to the Bureau of International Security and Nonproliferation may have blurred the Department of State's (Department) and the interagency community's understanding of ISN's broad role and capabilities. For instance, several in-house and interagency interlocutors

¹ FY 2015 Bureau Resource Request, Bureau of International Security and Nonproliferation, p. 3.

² Remarks by President Barack Obama; Hradcany Square, Prague, Czech Republic, April 5, 2009.

³ 1 *Foreign Affairs Manual* 451.4.

expressed confusion about the bureau's mission, as well as possible overlapping responsibilities with AVC. These points need to be clarified and communicated within the Department and beyond. ISN must also adjust to the changing priorities and capabilities of its Departmental and outside partners and regularly review its role in that context. Leadership must address the following fundamental questions: Can ISN effectively cover all the turf it has staked out? What does ISN do best? Where can ISN most effectively add value in support of U.S. Government policies?

Leadership

The President's Prague speech determined ISN's overarching strategic goals: (1) a stronger global nuclear nonproliferation regime; (2) better controls to deny access to WMD, their delivery systems, and destabilizing conventional weapons; and (3) a reduced risk of WMD terrorism. These goals require technical expertise, diplomacy, and an ability to work with partners in the Department, internationally, and within the interagency community. ISN's leadership team, comprising an Assistant Secretary and three deputy assistant secretaries, desires to become more fully integrated in the policy formulation process at the Department and seeks opportunities to expand its already key role.

OIG questionnaires and interviews indicate that ISN's Assistant Secretary is well-regarded. He works on some of the bureau's highest profile efforts. Despite the heavy demands made by his personal involvement in Arms Trade Treaty negotiations and Syria's chemical weapons disposal, he still managed to develop relationships with key interlocutors in China, Pakistan, and South Korea; led the most recent preparatory meetings for the 2015 Nuclear Nonproliferation Treaty Review Conference; and maintained a punishing travel schedule to address a myriad of other issues. He speaks forcefully and authoritatively and seeks opportunities for outreach through the media and with Congress. Personnel within the bureau, the Department, and the interagency community like and respect him.

ISN's principal deputy assistant secretary, a 30-year veteran of the arms control and nonproliferation community, is consistently described as brilliant by colleagues and subordinates. His portfolio includes day-to-day bureau operations, as well as non-nuclear and counterproliferation issues. He supervises four offices. He is responsible for developing and overseeing U.S. policy related to the nonproliferation of chemical, biological, missile, and destabilizing conventional weapons; counterproliferation in all of these areas; and nuclear weapons. The portfolio also includes export controls, nonproliferation regimes, interdiction, sanctions, the Proliferation Security Initiative, United Nations Security Council Resolution 1540, and counterproliferation dialogues with key countries.

The deputy assistant secretary for Nuclear Affairs supervises the work of three offices and is responsible for the diplomatic, technical, and political aspects of nuclear nonproliferation. This portfolio includes responsibility for the Nuclear Nonproliferation Treaty; relations with the International Atomic Energy Agency, including administration of a \$90 million program; nuclear safety and security; peaceful nuclear cooperation ("1-2-3") agreements; and broad bilateral dialogues.

The deputy assistant secretary for Nonproliferation Programs oversees four of the bureau's five foreign assistance program offices as well as the Office of Strategic Communications and Outreach.

Three years ago, the bureau refocused its Office of Strategic Planning and Outreach to emphasize its public diplomacy activities, renaming it the Office of Strategic Communication and Outreach. The office director enhanced the bureau's public diplomacy profile; however, elements of the strategic planning function appear to have been lost.

ISN's leadership team focuses heavily on policy but less so on managing the bureau's human and financial resources. Two bureau principals are engaged in an egregious interpersonal conflict that should not be tolerated. Although leadership has counseled both individuals, the issue remains unresolved, allowing tension and inefficiency to affect daily bureau operations as well as interagency and international meetings. In addition, there are several examples of poor managers in need of counseling. Although upper management is aware of some leadership issues within individual offices, it has not resolved these problems.

The bureau delegates authority for managerial oversight to the individual office level. An unfortunate consequence of this approach is that management controls and resource management are not getting the top-level attention they require. This deficiency is particularly acute in the administration of foreign assistance funds, where hard work and obvious good intentions are no substitute for standardized procedures and best practices.

ISN leadership agreed to the OIG team's recommendation to audit the program offices that have never been audited. A previous audit⁴ of the Nonproliferation and Disarmament Fund (ISN/NDF) found that the Fund's controls over the contracting process were sufficient to meet many objectives but needed improvement to ensure compliance with all Federal and Department requirements. The audit resulted in 18 recommendations, including 5 for improving controls over contracting, 5 for developing formal controls over project management so that key aspects of project management were consistently executed across contracts, and 8 for improving financial management.

The bureau's executive director serves ISN, AVC, and PM. Her performance is nominally reviewed by ISN's Assistant Secretary, with whom she has only infrequent, periodic meetings. ISN's principal deputy assistant secretary, the bureau's day-to-day manager, sees the executive director on an "as-needed" basis. Because the executive office operates relatively independently of senior leadership, the bureau is not making effective use of this office.

Some of the most acute questions facing the bureau revolve around long-term workforce planning. ISN employs 412 people: 215 Civil Service; 23 Foreign Service; and the remainder via contract, detail, or other hiring mechanisms. Approximately 34 percent of the Civil Service workforce is now, or will be in the next 5 years, eligible to retire. Furthermore, one-fourth of the 42 Civil Service employees who are at their highest pay grade (GS-15) are also at their top step, leaving little room for advancement. Staff interviews and responses to personal questionnaires indicate that a lack of upward mobility at all grades is a factor in their search for new opportunities. In addition, approximately half of the employees in ISN's foreign assistance program offices are on personal services or other contracting mechanisms, raising concerns about their conducting inherently governmental work.

These conditions highlight the need for immediate workforce planning to address issues such as a better balance among Foreign Service, Civil Service, and contractor workforces; recruitment; retention; and training. In anticipation of the retirement of its most experienced and senior experts, ISN needs to focus its efforts on recruitment and retention of the next generation

⁴ *Audit of Nonproliferation and Disarmament Fund Controls Over Contracting and Project Management and Integrity of Financial Data*, Report No. AUD-FM-13-17, December 2012.

of employees to replace the talent and expertise ISN is losing through retirement. Employees need to be sufficiently trained to carry out their assigned tasks as permitted under the law.

The larger question, which the OIG inspectors raised, is whether ISN should grapple with these workforce planning issues alone, or whether the Under Secretary for Arms Control and International Security should pursue a common approach among the bureaus under her authority to ensure a more effective response to these challenges.

Program Implementation

Foreign Assistance

The OIG team examined ISN's strategic planning, budgeting, financial and performance management, and program evaluation processes to assess how the bureau manages its foreign assistance portfolio. Responsibility for implementing foreign assistance programs and projects falls to five bureau offices.

- The Office of Multilateral Nuclear and Security Affairs (ISN/MNSA) is responsible for managing the U.S. Government's extra-budgetary contribution to the International Atomic Energy Agency. FYs 2009–2013: \$458 million in foreign assistance funding plus \$71 million from other U.S. Government agencies.
- The Office of Export Control Cooperation (ISN/ECC) is responsible for the Export Control and Related Border Security program to establish effective strategic trade controls. FYs 2009–2013: \$338 million in foreign assistance funding plus \$3.8 million in non-U.S. Government contributions.
- The Office of Cooperative Threat Reduction (ISN/CTR) is responsible for programs to enhance nuclear, chemical, and biological security. FYs 2009–2013: \$336 million in foreign assistance funding plus \$3.7 million in other U.S. Government funding and \$5.8 million in non-U.S. Government contributions.
- The Office of Weapons of Mass Destruction Terrorism (ISN/WMDT) is responsible for helping partner governments prevent, detect, and respond to WMD terrorism. FYs 2009–2013: \$12 million in foreign assistance funding.
- ISN/NDF is responsible for implementing specific nonproliferation projects. ISN/NDF receives “no-year” funds, which do not expire and are available until expended, and currently has 30 active projects with a budgeted amount of \$381 million.

ISN program officers are working to refine broad strategies and country plans to direct their efforts better. They are making impressive efforts to obtain useful performance information from their implementers, who include public international organizations, other U.S. Government agencies, contractors, and grantees. Program managers are continuing to develop objectives, measurable evaluation criteria, and evaluation mechanisms to judge the impact of their projects and programs.

Program and Financial Management

Comptroller

ISN has nearly \$600 million under active management, including current and prior-year foreign assistance funding, other U.S. Government funding, and contributions from foreign countries. As described previously, a multiplicity of actors and offices share responsibility for managing these funds; however, no one monitors funding flows from start to finish.

The resource management division in the bureau's executive office works with four of the bureau's five program offices (ISN/ECC, ISN/MNSA, ISN/CTR, and ISN/WMDT) and externally with the Department's Bureau of Budget and Planning, the Office of Acquisitions Management, and the Office of U.S. Foreign Assistance Resources to formulate and execute budgets and to maintain and monitor ISN's foreign assistance funding for a broad array of contracts, grants, and interagency agreements. The fifth office, ISN/NDF, has its own appropriation⁵ and financial management specialist with the organizational designation of comptroller.

There is little standardization of processes or controls among the offices; they have not pursued best practices. Given the large amounts of money flowing into and out of the bureau, the current structure creates a vulnerability that funds will not be used efficiently and effectively. Each office has unique internal systems, including spreadsheets, for tracking its programs, budgets, and spending. Employees manually reconcile these informal "cuff" records with reports the executive office's resource management division prepares, using the Departmentwide Global Financial Management System (GFMS). Many staff members with various levels of expertise and engagement are involved in this effort. The quality of required coordination with other offices in the Department is uneven.

By contrast, several other Department bureaus with significant foreign assistance programs have developed business structures that maximize standards and controls for all bureau-managed foreign assistance programs. For example, the Bureau of Population, Refugees, and Migration has an Office of the Comptroller that is independent of the bureau's executive office and that reports to the bureau's principal deputy assistant secretary.

The current structure in ISN does not facilitate the efficient and effective use of the large amounts of money under bureau management. A comptroller office would establish uniform standards, improve accountability, increase transparency, and monitor performance to promote the effective utilization of funds.

Recommendation 1: The Bureau of International Security and Nonproliferation, in coordination with the Bureau of Human Resources, should establish a comptroller's office to oversee management of all bureau foreign assistance funding. (Action: ISN, in coordination with DGHR)

Unliquidated Obligations

Management of prior-year unliquidated obligations in ISN, and in ISN/ECC in particular, is inadequate. ISN has routinely failed to use foreign assistance funding by the end of the 5-year period of availability. Inspectors compiled information from the GFMS Data Warehouse indicating that a minimum of approximately \$2 million in ISN foreign assistance funds were canceled at the end of FY 2013, \$2.2 million at the end of FY 2012, \$3.8 million at the end of FY 2011, and \$2.6 million at the end of FY 2009. FY 2010 results were modest: \$50,000. Project managers and financial management staff in most program offices do not have direct access to GFMS data. Instead, they must request information from the financial management

⁵ U.S. Department of State memo 9411334, May 13, 1994, Subject: First Meeting of the Non-Proliferation and Disarmament Fund (NDF) Review Panel.

team in the executive office's resource management division every time they need to track and reconcile obligations and expenditures.

Recommendation 2: The Bureau of International Security and Nonproliferation should request, and the Bureau of the Comptroller and Global Financial Services should grant, read-only access to the Global Financial Management System to financial management staff in the program offices. (Action: ISN, in coordination with CGFS)

ISN is currently at risk of failing to use FY 2014 funds by the allotted time period, particularly for funds managed by ISN/ECC. At the time of the inspection, a new office director was trying to reconcile 108 unliquidated obligations involving approximately \$4.3 million in foreign assistance funding that will expire on September 30, 2014. Many obligations showed long and unexplained periods of inactivity: 15 obligations totaling \$311,623 had no activity for 2 to 3 years; 26 obligations totaling \$358,498 had no activity for 3 to 4 years; and 25 obligations totaling \$424,141 had no activity for 4 to 5 years.

ISN/ECC staff claimed it reviewed unliquidated obligations regularly but was unable to provide documentation to justify keeping these funds tied up in long-inactive agreements. In some cases, it may have been impossible to proceed with projects. In others, project activity appeared to have ended, but closeout procedures had not been completed. In one case, nearly \$2 million has languished on the books, owing to a failure of communication between program offices. Nineteen obligations, totaling \$765,065, had been inactive since the date they were established—a red flag that should have been evident from even a cursory review. Failure to reconcile these and other prior-year balances has precluded their use for other purposes and reflects a lack of attention to financial management at the office and bureau levels.

Recommendation 3: The Bureau of International Security and Nonproliferation should institute a monitoring regime for unliquidated balances, supervised by senior leadership, to deobligate unnecessary balances and to document justifications for continuing obligations that are not showing quarterly activity. (Action: ISN)

System Standardization

ISN program and project portfolio managers lack standardized tools to manage foreign assistance programs. Instead, they struggle with a range of systems, including GFMS, the State Assistance Management System, the Integrated Logistics Management System, and others. Staff cannot integrate or readily retrieve the information in these systems in order to respond to routine inquiries from stakeholders. Program officers struggle to locate the information they need to provide continuity and direction and to execute tasks properly. For any given project, there are a multitude of associated documents: statements of work, action memos, status reports, email exchanges, meeting minutes, trip reports, and decision papers. The current practice of searching for a specific document on a shared drive is difficult at best and not always successful in locating up-to-date and complete information.

Absent a Departmentwide tool to address these challenges, ISN program offices have independently developed systems to track their respective workloads. It is a challenge to capture program and financial information generated by interagency agreements; grants and cooperative agreements; contracts; and voluntary contributions with many types of project implementers

such as grantees, contractors, other U.S. Government agencies, foreign governments, and public international organizations. In addition, GFMS cannot interface automatically with any of the office-level tracking systems. As a result, program officers manually and laboriously extract financial information from GFMS reports, reconcile discrepancies, and attribute charges to specific programs and projects. Examples of the disparate approaches taken to gathering essential information include the following:

- ISN/NDF has developed a \$2.5 million cloud-based Financial Information Management System to provide its program officers up-to-date information. This system and GFMS do not interface.
- ISN/ECC has invested \$200,000 in a project that, if successful, would create a financial management dashboard with financial and program information for its global programs and bilateral programs in more than 60 countries.
- ISN/CTR has created an Excel-based spreadsheet, informally named “The Big Dog,” to track financial and program performance of its ongoing projects. Users of this system report, not surprisingly, that it has grown unwieldy and, in any case, does not colocate financial and program data or provide a search capability.

Program officers say an effective system would provide access to all information related to ISN programs and projects, including strategic planning documents, budgeting information, program designs, agreements, financial data, performance reports, evaluations, and memoranda. Such a system would include the following:

- Web-based, user-friendly interfaces and templates for collecting information (populating the database) from implementers, including templates that force performance reporting to refer to the statements of work and agreed-upon goals of a project;
- A document management warehouse for storing and retrieving information;
- A system of triggers to flag new proposals, requests for amendments and extensions, and overdue reports and missed milestones;
- An automatic feed of financial information from the GFMS with flags for data that will need to be reconciled.

Recommendation 4: The Bureau of International Security and Nonproliferation, in coordination with the Bureau of Information Resource Management, the Bureau of the Comptroller and Global Financial Services, and the Bureau of Administration, should develop a single, searchable database that interfaces with the Department’s Global Financial Management System. (Action: ISN, in coordination with IRM, CGFS, and A)

Recommendation 5: The Bureau of International Security and Nonproliferation, in coordination with the Bureau of Information Resource Management, the Bureau of the Comptroller and Global Financial Services, and the Bureau of Administration, should proceed with development of an interface between the Nonproliferation and Disarmament Fund’s Financial Information

Management System and the Global Financial Management System. (Action: ISN, in coordination with IRM, CGFS, and A)

Professional Development

The 2004 OIG inspection report noted that, “program management skills are paramount requirements.”⁶ They still are. ISN lacks a stable cadre of employees to manage professionally the multimillion-dollar program and project portfolios involving a multiplicity of obligation mechanisms (interagency agreements, grants and cooperative agreements, contracts, and voluntary contributions to public international organizations) and a broad range of implementers (grantees, contractors, other U.S. Government agencies, foreign governments, and public international organizations).

The bureau was unable to provide comprehensive training records for its employees. A review of training records submitted by the five program offices indicate that some long-serving program and project managers have not taken the introductory Foreign Service Institute courses in grants and contracts, despite having considerable responsibility for the funds under their control. Many others have just completed these introductory courses or recently have signed up to do so.

Grants officer representative certifications are valid for 3 years; contracting officer’s representative certificates are valid for 2 years. These representatives are expected to maintain and further develop their skills during their certification period. The Office of the Procurement Executive has established standards and recommended courses and other activities that satisfy continuing education requirements.

In addition to not making use of all training available at the Foreign Service Institute, project portfolio officers have not taken advantage of additional professional training available in the private sector. For example, only one program manager in the bureau has received a Project Manager Professional certificate—the industry-recognized standard—from the Project Management Institute. Only this individual and a handful of others participate in the Department’s Program and Project Management Community of Practice.

The absence of professional development programs in ISN/CTR is of special concern. The office is highly dependent on contractors and American Academy for the Advancement of Science Fellows, who are subject matter experts but are also ineligible for program management training through the Foreign Service Institute or other U.S. Government institutions. At the time of this inspection, 15 of 18 program and project portfolio managers fell into these ineligible categories. However, ISN has not secured program and project management training for them from private sources recommended by the Office of the Procurement Executive. Lack of training prevents managers from performing their duties adequately and places funds and projects at risk.

Recommendation 6: The Bureau of International Security and Nonproliferation should require that all eligible program and project management personnel complete contracting officer’s representative and grants officer representative training and obtain certification. (Action: ISN)

⁶ *Inspection of the Bureau of Nonproliferation*, Report No. ISP-I-05-50, December 2004, p. 20.

Recommendation 7: The Bureau of International Security and Nonproliferation should provide program and project management training, contracting with private providers for such training when necessary. (Action: ISN)

Policy

Policy Planning and Implementation

Senior U.S. Government officials commend the bureau's flexibility, technical expertise, tenacity, and ability to work well within the Department and the interagency community. ISN's recent role in helping to negotiate the plan to destroy Syria's chemical weapons; the successful negotiation of an Arms Trade Treaty; the implementation of numerous peaceful nuclear cooperation ("1-2-3") agreements; its ongoing daily support of a host of nonproliferation regimes and treaties; and access to funds to respond to such issues help make ISN, as someone called it, "the Department's Swiss army knife."

Department and interagency colleagues praised ISN's role in the ongoing Syria chemical weapons process as an example of ISN's ability to address emerging threats successfully. Among the factors that led to ISN's high-impact role were forward planning, technical expertise, negotiating skill, and productive relationships with other bureaus and agencies. ISN worked closely with National Security Council staff, the interagency community, and the Department's regional bureaus, and assembled experienced staff from throughout the bureau. For example, area experts from the Office of Regional Affairs worked with ISN's chemical weapons experts, and the bureau sent staffers with negotiating experience temporarily to the Organization for the Prohibition of Chemical Weapons. Leadership now should take the time to review this experience, apply lessons learned, and strengthen the bureau's institutional ability to replicate this strong performance.

ISN's tool kit is varied, including diplomatic engagement, sanctions, export licensing, interdiction, and support of the visa process: so too are the tasks that it has set for itself. The 65 authorities that govern ISN's work entail improving, expanding, and updating dozens of conventions, treaties, agreements, and regimes affecting almost every country worldwide. Additionally, ISN has the mandate to support the President's Nuclear Security Summit process and the 2015 Nuclear Nonproliferation Treaty Review Conference.

ISN has failed to examine systematically the key question, Can ISN do all that it has staked out? Related to that question is how the bureau matches resources to priorities. Although the bureau's 2014–2016 Strategic Plan addresses some of these issues, critical top-level assessments, with occasional course corrections, such as matching programs to policy, measuring results of efforts, reassessing priorities, and coordinating bureauwide efforts have taken a back seat to the many pressing issues of the day.

Meaningful strategic planning must be reinstated. ISN's Office of Strategic Planning and Outreach, known since 2010 as the Office of Strategic Communication and Outreach, was "created to address a perceived gap in the ability of [bureaus reporting to the Under Secretary for Arms Control and International Security] to address future threats innovatively, identify emerging proliferation threats, and develop a coordinated and strategic counterproliferation response."⁷ One employee serves as a "strategic planner," with near exclusive responsibility for formulating ISN's resource requests. Although that employee communicates regularly with the

⁷ *Key Transformation Practices Could Have Helped in Restructuring Arms Control*, Government Accountability Office Report No. GAO-09-738, June 2009, p. 11.

bureau's principal deputy assistant secretary when preparing resource requests and reports, no bureauwide process or structure exists, and many ISN offices feel that they could contribute but are left out. A mechanism is missing, per 3 *Foreign Affairs Manual* (FAM) 1214, for action officers and senior-level experts to plan strategically, communicate effectively, learn, innovate, and collaborate.

According to ISN's 2014–2016 Strategic Plan, "Innovation is a measure of performance: threats evolve, and if we do not adapt, we will fail to meet our policy objectives. We will continue to develop new mechanisms, approaches, tools, and partnerships to address emerging threats and overcome challenges." ISN lacks a bureau strategic planning entity. If reinstated, such a plan could keep abreast of bureauwide efforts, promote priorities as established by bureau and Department leadership, and recommend ways to coordinate the two effectively. According to interviews with bureau personnel, the lack of such an entity has allowed some offices to feel isolated, devoting efforts to tasks viewed on occasion as mere ends in themselves, with little connection to bureau priorities. ISN may, as a result of not having such an entity, be missing opportunities to leverage its collective skills and expertise as it did so well in the recent Syria chemical weapons example.

Recommendation 8: The Bureau of International Security and Nonproliferation should formalize a strategic planning function, reporting to the Assistant Secretary, with responsibility for establishing priorities, identifying emerging issues, and recommending appropriate deployment of bureau resources. (Action: ISN)

Biological Weapons Policy

By and large, the 2010 reorganization achieved its objective of delineating the responsibilities of AVC and ISN and reducing duplication and overlap. However, counterproductive overlap remains in the area of biological weapons policy. ISN's Biological Policy Staff and AVC's Office of Chemical and Biological Weapons have intersecting responsibilities, especially with regard to the Biological Weapons Convention. The views of the two bureaus on policy differ. Complicating matters, the FAM assigns the two bureaus similar, if not overlapping, responsibilities,⁸ sometimes resulting in disagreements between the two staffs. As a result, the United States is less effective in advancing its biological weapons policy agenda, and the Department is less effective in the interagency community.

Recommendation 9: The Bureau of Arms Control, Verification, and Compliance, in coordination with the Bureau of International Security and Nonproliferation, should develop a policy paper, cleared at the deputy assistant secretary level, outlining the policy parameters of bureau activities involving the Biological Weapons Convention. (Action: AVC, in coordination with ISN)

⁸ The text of 1 FAM 453.3(2) states that ISN's Office of Missile, Biological, and Chemical Nonproliferation "develops and implements policies and programs to impede, roll back, and eliminate the proliferation of chemical and biological weapons," whereas 1 FAM 444.1(1) states that AVC's Office of Chemical and Biological Weapons Affairs "implements efforts to impede and roll back the threat of chemical and biological weapons."

Resource Management

Financial and Human Resources

Bureau Resource Management Chart

	Foreign Service	Civil Service	Contractors*	When Actually Employed	Detailees	Students/ Interns	Total
U.S. Staff Domestic	23	215	141	5	12	16	412
U.S. Staff Overseas	1	0	0	0	0	0	1

*Includes information technology contractors, consultants, subject matter experts, and personal services contractors.⁹

Resources Controlled by Bureau of International Security and Nonproliferation

Funding Description (Diplomatic and Consular Programs and Public Diplomacy)	Amount (in thousands)
FY 2012 Actual Resources Allotted to the Bureau	18,553
FY 2013 Actual Resources Allotted to the Bureau	17,628
FY 2014 Actual Resources to be Allotted to the Bureau	17,806
Foreign Assistance	
FY 2012 Actual Resources Allotted to the Bureau	277,169
FY 2013 Actual Resources Allotted to the Bureau Estimate	268,456
FY 2014 Actual Resources to be Allotted to the Bureau**	266,421

**FY 2014 is based on the Office of U.S. Foreign Assistance Resources' anticipated release.

Executive Office Role in Bureau Operations and Planning

The executive office provides common support services to ISN, AVC, and PM. These services include budgeting, human resources, general services, information technology, and security. The consolidated staffing of these bureaus is approximately 600 U.S. direct-hire employees. PM is the largest bureau by staffing and funding.

The executive office received average scores for customer service and routine operational functions on OIG questionnaires; however, strategic resource management and management controls in ISN do not get the level of attention they require. The executive office operates relatively independently of senior leadership and plays little role in either the administration or allocation of foreign assistance funds.

The structure of the executive office contributes to its shrinking role. Although the executive office's major client is PM, the office resides administratively within and is supervised by ISN. Further complicating the arrangement, the principal deputy assistant secretary of AVC is the executive director's rating official, and the reviewing official is ISN's Assistant Secretary. Department regulations 1 FAM 441 and 1 FAM 451 and work requirements of the rating and

⁹ Personal services contract authority is granted in 22 U.S. Code, Section 2349bb Part IX–Nonproliferation and Export Control Assistance.

reviewing officials do not include oversight of the executive office. The executive director's participation in regular discussions is limited by the fact that ISN, AVC, and PM hold their senior staff meetings at the same time. Moreover, some traditional executive office functions, such as oversight of the bureau's management controls program, have been delegated to ISN's chief of staff.

Recommendation 10: The Bureau of International Security and Nonproliferation, in coordination with the Bureau of Arms Control, Verification, and Compliance and the Bureau of Political-Military Affairs, should establish a rating, reviewing, and reporting chain for the executive director and update the *Foreign Affairs Manual* accordingly. (Action: ISN, in coordination with AVC and PM)

Executive Office Structure

The structure of the executive office is a legacy of the 1999 Arms Control and Disarmament Agency integration. Since then, staffing, funding, and programs have expanded in size and complexity, increasing the executive director's span of control. According to the executive director, the needs of PM consume the majority of her time, thus increasing the likelihood that the two other bureaus may receive short shrift. The 15-year old model may not meet today's needs.

Four deputy executive directors support the executive director; each manages one functional area. Unlike the other executive offices in the Department, here there is no one deputy who is familiar with and engaged in the full range of executive office functions and crosscutting issues or who can relieve the executive director of some burdens, act in her absence, or speak authoritatively with senior leadership.

Recommendation 11: The Bureau of International Security and Nonproliferation, in coordination with the Bureau of Human Resources, should designate one of the four deputy directors as the primary backstop for the executive director and reallocate responsibilities accordingly. (Action: ISN, in coordination with DGHR)

Executive Customer Service and Outreach

Responses to OIG inspection questionnaires and interviews indicate employees need one-stop guidance on topics such as telework, travel, performance management, and ISN Blackberry policy. New employees note that the lack of an orientation program beyond basic in-processing translates to a steeper learning curve in gaining an understanding of the entire bureau. Although the bureau has made an effort both to educate and listen to customers, the executive office has not conducted customer satisfaction surveys, which would help identify customer needs.

Recommendation 12: The Bureau of International Security and Nonproliferation should conduct a customer service survey. (Action: ISN)

Workforce Planning and Employee Development

Workforce Planning

Both the 2004 OIG inspection report¹⁰ and the 2009 Government Accountability Office report¹¹ addressed a number of workforce management and planning issues. Several problems noted in those reports remain.

Succession planning is one of the lingering issues. ISN's workforce includes experts in the areas of nonproliferation, negotiation, and science and technology, among others. Civil Service employees represent approximately 90 percent of ISN's workforce. Twenty-one percent of these employees are eligible to retire now, which is higher than the Department average of 16 percent. Within the next 5 years, 34 percent of these employees will be eligible to retire, creating a skills gap that could jeopardize the bureau's ability to carry out its functions. The OIG inspectors discussed these issues with both the Assistant Secretary and the Under Secretary, who are both aware of and concerned about these matters. The Bureau of Human Resources has issued a 5-year workforce and leadership planning paper¹² that might assist ISN leadership in addressing these issues.

A paradox of the workforce in ISN is that although there is concern about the loss of decades of expertise when senior officials leave, there is, at the same time, rapid turnover in the program offices at the working level. In ISN/ECC, a 26-person office that managed \$338 million from FYs 2009 to 2013 in the Export Control and Related Border Security program, only 3 of the 11 project managers had 6 or more years of experience; 5 had fewer than 3 years of experience. In the past 5 years, 15 Civil Service employees and 12 contractors have left the office.

This situation also exists in other ISN offices. At the time of the inspection, ISN/CTR had 25 employees: 5 full-time U.S. Government employees, 1 personal services contractor, 14 contractors, 4 American Academy for the Advancement of Science Fellows, and 1 detailee from another agency. Records indicate that a total of 71 employees have rotated through this office since 2007.

There is a relationship between the need for and lack of a staff development path and the high turnover at the mid-level ranks of the bureau. Office management and staff attribute the high turnover of personnel in part to ISN's inability to offer identifiable career paths. One possible alternative would be to bring staff in at lower grades in positions with a career ladder.

The bureau competes with other workforce sectors to recruit and retain highly expert employees. ISN has not conducted an analysis to determine how this competition affects the bureau's ability to maintain a qualified and experienced workforce. The Office of Personnel Management issued a rule, effective September 2013, which changes the way agencies evaluate and award recruitment, retention, and relocation bonuses. This rule is intended to help agencies compete for talent to meet critical mission needs and, in the Department, is typically granted to

¹⁰ *Compliance Review – Inspection of the Bureau of Nonproliferation*, Report No. ISP-I-05-50, December 2004.

¹¹ Government Accountability Office Report No. GAO-09-738, June 2009.

¹² *Five Year Workforce and Leadership Succession Plan: Fiscal Years 2013–2017*, Office of Resource Management and Organization Analysis (HR/RMA), June 2013.

information technology specialists and health care professionals. ISN officials have not met with the Department's Director General to explore whether this option is suitable for ISN.

The bureau faces the challenge of expanding the development of junior and mid-level staff. ISN has few career-ladder positions. ISN has arranged for a few rotational and temporary assignments, and some mid-level staff have accompanied delegations overseas. A proposed rotational program within ISN, AVC, and PM failed. It is time to try again.

The Assistant Secretary stated that attracting, retaining, and developing the capabilities of staff is one of the critical challenges facing the bureau; however, neither the front office nor the executive office has developed a strategic plan to address the human capital challenge. The OIG team counseled ISN leadership to meet with the Director General's office and discuss the skills incentive program.

Recommendation 13: The Bureau of International Security and Nonproliferation, in coordination with the Office of the Under Secretary for Arms Control and International Security, should draft a comprehensive, multiyear workforce plan. (Action: ISN, in coordination with T)

Contractors and Inherently Governmental Functions

Dependence on contractors creates vulnerability and represents a potential control risk. ISN employs approximately 111 contractors who perform many different functions throughout the bureau. Approximately half of the contractors work in ISN's five program offices. Interviews with more than a dozen contractors involved in managing foreign assistance programs raised concern that their work may involve inherently governmental functions.

The *Federal Acquisition Regulation* Subpart 7.5 states that the conduct of foreign relations, the determination of foreign policy, and the determination of agency policy are inherently governmental functions and may not be performed by contractors. Additionally, the regulation describes functions that are not considered inherently governmental but "may approach" that status. These functions include services that relate to budget preparation, policy analysis, or participation in any situation where a contractor may be perceived as an agency employee or representative. In those cases, the Office of Management and Budget's procurement policy states that agencies should provide a greater degree of scrutiny of contractors performing services in these gray areas.

The Department uses workforce studies to determine the appropriate balance of employees and contractors and the appropriate functions of each. Per 3 FAM 2164, each bureau is responsible for managing its contractor and Federal employee resources appropriately and for ensuring that only Federal employees perform inherently governmental functions. The FAM stipulates that Federal employees receive consideration to perform new functions and functions performed by contractors to implement Section 736 of the Omnibus Appropriations Act of 2009¹³ and Office of Management and Budget guidance.¹⁴ The Act stipulates that agencies have "safeguards and monitoring systems in place to ensure that work performed by contractors has not changed or been expanded to become an inherently governmental function."

¹³ Pub. L. No. 111-8; Division D.

¹⁴ *Managing the Multi-sector Workforce*, M-09-26.

Recommendation 14: The Bureau of Administration, in coordination with the Bureau of International Security and Nonproliferation, should conduct a workforce study of the program offices so that only Federal employees perform inherently governmental functions. (Action: A, in coordination with ISN)

Performance Management

Personal questionnaires from ISN employees raised concerns about leadership performance at the director and deputy director levels in several offices. Interviews confirmed that in several instances, mid-level managers were not setting clear objectives, organizing the workload efficiently, communicating with staff, holding staff members accountable for their performance, managing conflicts, or allowing employees to take on new responsibilities and develop their skills. In one office, for example, many of the management issues the inspectors identified in the 2004 OIG report persist. The office director still does not communicate specific assignments clearly. Workloads are uneven. Communication within the office remains poor, and there are no staff meetings.

Department regulation 13 FAM 311.2 mandates that mid-level personnel take prescribed leadership courses according to their grade to build leadership and management skills progressively over a career. Department regulation 3 FAM 1214 provides leadership and management principles for Department employees. Interviews revealed that several long-serving mid-level management employees had not taken the required leadership training courses. The bureau was not monitoring staff compliance with leadership training requirements. During the inspection, ISN polled staff to determine who had not attended the mandatory training, a necessary first step to addressing these leadership deficiencies and their consequences.

Recommendation 15: The Bureau of International Security and Nonproliferation should require all management staff to complete obligatory leadership training and should monitor compliance with this requirement. (Action: ISN)

Recommendation 16: The Bureau of International Security and Nonproliferation should include leadership and management principles in the work requirements and performance plans of leaders from deputy office director to Assistant Secretary. (Action: ISN)

Training

There is no bureauwide training plan or prioritized training budget. As a result, bureau employees may not receive training or other opportunities essential for job performance or professional development. The executive office's human resources division does not know whether employees have individual development plans. Department regulation 3 *Foreign Affairs Handbook* (FAH)-1 H-2821.3 a. (3) recommends that supervisors and employees prepare an annual plan; bureaus may require them, and ISN should. The Bureau of Human Resources offers sessions on how to prepare these plans. Development opportunities could include intra-Department and interagency rotations, possible rotations to staff assistant positions, and more opportunities to work on delegations. ISN and PM could explore whether rotations overseas might be expanded to allow Civil Service employees to serve as political advisors to the Department of Defense.

Recommendation 17: The Bureau of International Security and Nonproliferation should require that each employee have an individual development plan. (Action: ISN)

Recommendation 18: The Bureau of International Security and Nonproliferation should develop and implement an action plan for mid-level Civil Service staff, including rotational assignments and overseas opportunities. (Action: ISN)

Recommendation 19: The Bureau of International Security and Nonproliferation should develop a bureauwide, prioritized training budget. (Action: ISN)

The bureau has no training coordinator; the executive office's human resources division performs training-related administrative processes only. In 2010, the Under Secretary and the Assistant Secretaries for ISN, AVC, and PM identified the need for a full-time, professional coordinator to enhance career development opportunities for all employees in the three bureaus. ISN's FYs 2014 and 2015 Bureau Resource Requests listed the creation of this position as a bureau priority. The Department denied the request. The OIG inspectors suggested that the Under Secretary consider creating a position in the Office of the Under Secretary for Arms Control and International Security front office to address recruitment, training, and career-development issues across the bureaus.

Equal Employment Opportunity Program

ISN does not have an active Equal Employment Opportunity (EEO) program; for many years, there have been no trained and certified EEO counselors. Department guidance suggests that employees have a trained colleague within their own bureau from whom to seek EEO information and guidance. Additionally, 13 FAM 312 states it is mandatory that managers and supervisors attend EEO/diversity training (for example, Foreign Service Institute course PT 107). The executive office's human resources office does not have the ability to track attendance and identify delinquent employees.

Recommendation 20: The Bureau of International Security and Nonproliferation should implement an Equal Employment Opportunity program, including a front office statement of commitment to program principles, appointment and announcement of certified counselors, and a link to the Office of Civil Rights Web site on the bureau's home page. (Action: ISN)

Recommendation 21: The Bureau of International Security and Nonproliferation should require that managers and supervisors attend mandatory Equal Employment Opportunity/diversity training. (Action: ISN)

General Services

Among its responsibilities, the executive office's general services office performs travel, property management, and procurement functions. During FY 2013, ISN submitted 607 procurement actions through the Ariba procurement system, with a total value of approximately \$38 million. AVC submitted 148 actions worth approximately \$5 million. The inspectors spot-checked transactions from November and December 2013 and did not find any irregularities.

Travel

Employees are satisfied with the executive office travel services but are dissatisfied with the Department's travel provider, Carlson Wagonlit, citing poor service and inconsistency in interpreting travel rules and regulations. They also expressed dissatisfaction with travel regulations governing classes of travel, contract fares, and permissible upgrades. To address these concerns and to educate employees, the travel section organized a well-attended, bureauwide meeting with transportation and travel management officials from the Bureau of Administration.

The FY 2013 ISN and AVC travel budgets totaled approximately \$3 million and \$2 million, respectively. Both bureaus authorize business class travel in accordance with 14 FAM 567.2-4. The principal deputy assistant secretary in ISN and the AVC chief of staff approve business class travel, and the executive director has approval authority in their absence. During FY 2013, ISN approved 62 business class travel requests. All approvals were readily available and contained sufficient justification for premium travel. Vouchers are processed and travelers reimbursed with minimal delay.

During the inspection, the OIG team heard complaints about insufficient travel funds. Of the 62 approved requests for business class travel, 45 trips were actually taken. Some trips were canceled or converted to economy class. The OIG team reviewed justifications and vouchers for the 45 business class trips, which cost a combined total of approximately \$401,000. Had the bureau used economy class, the cost would have been approximately \$144,000, a savings of approximately \$257,000, which the bureau could have used to meet other needs. The calculation of the economy fare travel includes the cost of a 1-day rest stop as permitted by Department travel policies in 14 FAM 567.

The principal deputy assistant secretary in ISN controls the bureaus' travel budgets. He makes initial allocations to offices at the beginning of each fiscal year, based on travel requests from each office, and uses monthly travel statements provided by the travel section to make adjustments to the office totals. However, it is not evident that individual offices rigorously review participation or consider using the bureau's videoconferencing capabilities to conduct meetings instead of more costly travel options. An occasional top-level strategic review of bureauwide travel would be useful.

Management Controls

Assistant Secretary Statement of Assurance

The process to evaluate the bureau's management controls is flawed and unreliable. The FY 2013 Assistant Secretary's management controls statement of assurance, prepared as a requirement of 2 FAM 20 and the Federal Managers' Financial Integrity Act of 1982, identified no material weaknesses or significant deficiencies in the bureau's management controls system. Among other requirements, the regulations state that the Assistant Secretary must attest that programs are carried out efficiently and effectively and in accordance with law and that funds are accounted for and recorded properly. The ISN chief of staff, who is also the bureau's management controls officer, was unfamiliar with the subject of management controls when he initially assumed responsibility for preparing the statement of assurance for the Assistant Secretary's signature. In addition, the executive office plays only an administrative role in the process. According to ISN leadership, the letter is considered little more than a "rote document." This approach lacks rigor and may fail to identify inadequate controls and lead to an inaccurate Assistant Secretary statement.

Recommendation 22: The Bureau of International Security and Nonproliferation, in coordination with the Bureau of the Comptroller and Global Financial Services, should develop and implement a system of bureauwide management controls. (Action: ISN, in coordination with CGFS)

Recommendation 23: The Bureau of International Security and Nonproliferation should designate the executive director as the bureau management controls officer. (Action: ISN)

Property Management and Purchase Card Program

ISN's general services office manages and controls bureau reportable property, including information technology equipment. The total amount of accountable property, located in multiple domestic locations, is \$7 million. ISN completes annual inventory certifications and reconciliations, as required by 14 FAM 426, and a random check of inventory records showed no discrepancies. The FY 2013 property reconciliation certification showed a missing property rate of 0.58 percent, well below the Department's 1 percent threshold for reporting missing property to the Bureau of Administration.

The general services office also manages the bureau's purchase and payment card system, with 435 transactions for ISN in FY 2013 valued at \$381,739 and 134 transactions for AVC valued at \$60,311. The office reviews credit card purchase statements monthly and forwards them to the executive office for approval. The FY 2013 annual program review, required by 4 FAM 455.3, identified no problems.

Information Management

The technology division (TD) faces challenges with internal and external communication arising from the out-of-scope information technology support requirements of ISN, AVC, and PM, the complexity of systems, and the size and geographic separation of division staff.

TD manages a complex information technology network composed of 800 end users, 93 applications, and 8 separate networks that support ISN, AVC, and PM. TD has 12 direct-hire staff members and 70 contractors. Many of TD's projects are reactive in nature, including responding to congressional mandates.

TD employees work in three separate locations and receive service and support from three help desks, each with its own support software. The Bureau of Information Resource Management handles all ISN, AVC, and PM OpenNet and ClassNet support requests. In OIG surveys, customers expressed dissatisfaction with Bureau of Information Resource Management service and support. TD's computer operations section spends considerable time resolving technical issues that are in the Bureau of Information Resource Management's scope of work, as specified in the memorandum of understanding. TD plans to address these issues in monthly meetings with the Bureau of Information Resource Management's customer liaison office.

Initiatives

To address the challenges their division faces, TD seeks to transform its operating environment. The division adopted new software development best practices and began implementing a management tool known as Serena Business Manager. This new tool is improving the division's internal communication, standardizing processes, and improving oversight of key programs such as the modernization and migration of the Defense Trade and Application System.

PM, the largest of the three bureaus reporting to the the Office of the Under Secretary for Arms Control and International Security, garners most of TD's support. This situation arises from the different business requirements of the three bureaus, PM's larger budget, as well as PM's physical proximity to TD. ISN and AVC have to work harder to communicate their information technology requirements. TD has taken steps to address communication deficiencies and has assigned an employee to liaise with ISN and AVC on a regular basis.

Communication

In preinspection surveys, respondents indicated they were unaware of the division's long-term and strategic goals. The OIG team's review of TD's goals, objectives, and project information that leadership provided found this information satisfactory but not available to the entire TD team. As a result, employees do not understand how their work contributes to the larger picture, leading to frustration and poor morale among lower level employees. This situation could be addressed through proactive communication throughout TD.

Collaboration Tools

OIG survey respondents commented, and the OIG team confirmed, that the bureau's Web sites and collaboration tools are difficult to navigate and contain outdated information. TD has more than 40 SharePoint and Web sites. Individual offices provide content for these sites. Department regulation 5 FAM 776.2 b. requires that content managers ensure the information published on Web sites is current, relevant, and accurate. Poor content management practices can prevent employees from adopting potentially useful collaboration tools. For example, the bureau lacks a centralized process to issue and create a repository of management notices. Instead, the executive office or the chief of staff disseminates information via ad hoc emails. The bureau's SharePoint administrator could help the executive office update and expand the content of its SharePoint site.

Recommendation 24: The Bureau of International Security and Nonproliferation should incorporate and update its SharePoint and Web sites with content provided by the executive office and other offices. (Action: ISN)

Authorization to Operate

The authorization to operate for the Defense Trade and Application System, which supports export licensing and compliance activities, has expired. The last authorization to operate was signed on June 11, 2011, and expired on November 30, 2012. The bureau has not initiated a process to renew the authorization to operate. PM, the system owner, does not want to pay for the full assessment and authorization of this system, because it believes that the system will fail the assessment and that PM will be required to make security upgrades that are already planned or underway. In addition, while the system is offline for the assessment, users would be unable to process and adjudicate U.S. export licenses on the classified network. The bureau currently adjudicates approximately 300 licenses a day. Department regulation 5 FAM 1065.4 states all Department information systems that are reportable under the Federal Information Security Management Act must complete the Department's system authorization process and receive a designated approving authority before being permitted to operate. Systems that do not undergo periodic reassessment and reauthorization to operate create security vulnerabilities on the Department's networks.

Recommendation 25: The Bureau of Political-Military Affairs, in coordination with the Bureau of International Security and Nonproliferation and the Bureau of Information Resource Management, should obtain a valid authorization to operate for the Defense Trade and Application System. (Action: PM, in coordination with ISN and IRM)

Environmental Controls

TD's data centers do not have the appropriate environmental controls in place to sustain current network operations. The data centers are unable to provide the required airflow and air-conditioning needed for their network hardware to operate at optimal levels. TD had to purchase portable air-conditioning units to keep temperatures at necessary levels. Employees said that during the summer months they must often shut down lower priority production servers to prevent the higher priority servers from overheating. TD leadership has worked with the facility maintenance managers to install new air-conditioning units, but with no success. Department

regulation 12 FAM 629.4-4 requires data center managers to ensure that air-conditioning and humidity controls are installed as appropriate. Improper or nonexistent environmental controls can result in disruptions in network and system availability.

Recommendation 26: The Bureau of International Security and Nonproliferation should install environmental controls that provide the appropriate airflow and air-conditioning to their data centers. (Action: ISN)

Security Management

According to the Bureau of Diplomatic Security (DS), ISN had eight security infractions and one security violation since January 2012. This number is average for a bureau. During the same time period, DS reported no security infractions or violations for AVC.

Executive Office Accountability for the Bureaus' Security Program

The executive office is not exercising appropriate oversight of the ISN, AVC, and PM bureau security programs. According to 12 FAM 512.2, the executive director is responsible for maintaining the security program of the bureau(s), ensuring that the bureau(s) comply with security requirements, and designating principal and unit security officers. In 2005, the DS applications and programs division acted on a request by ISN's executive office and assigned a bureau security officer to the executive director to oversee the AVC and ISN security programs. The bureau security officer implements security regulations and provides advice and assistance on the protection of classified information; however, since his assignment, he has overseen security only of ISN and PM. Simultaneously, AVC has become an almost entirely sensitive compartmented information facility. An AVC direct-hire primary and an alternate special security representative currently have complete security responsibility and authority, including all other collateral security duties for AVC. This ambiguous and at times fractious relationship between the special security representative and the bureau security officer has existed since AVC's conception in 2005.

DS proposed a solution to this problem by creating a task-specific memorandum of agreement between the DS and ISN executive offices that will specifically define bureau security officer support services for ISN, AVC, and PM. This agreement is currently in draft form.

Recommendation 27: The Bureau of International Security and Nonproliferation, in coordination with the Bureau of Diplomatic Security, should complete and sign the memorandum of agreement on bureau security officer support. (Action: ISN, in coordination with DS)

Upon completion of the memorandum of agreement clarifying DS and ISN responsibilities, ISN's executive office will also need to define the roles, responsibilities, chain of reporting, and accountability between the bureau principal and the unit security officers, special security representatives, and the bureau security officer. In accordance with 12 FAM 512.1-5, "Employees assigned as regional, post, bureau, or unit security officers have the supervisory and/or the oversight responsibility to ensure that classified material entrusted to their organizational unit is handled in accordance with the procedures prescribed in this volume." This initiative will allow the executive office to forge a leadership role for the security program.

Recommendation 28: The Bureau of International Security and Nonproliferation should define specific duties and responsibilities and clarify chain of reporting for all security officers within the bureaus that report to the Under Secretary for Arms Control and International Security. (Action: ISN)

Unit Security Officer Roles and Responsibilities

Unit security officers for the individual AVC and ISN offices execute their responsibilities in accordance with 12 FAM 563.2. The bureau security officer provides periodic training for unit security officers and informs them of any changes in policy. However, the majority of security officers interviewed were unaware of the DS guidebook on *Principal Duties of a Unit Security Officer*, dated July 2011. This valuable tool is located on the DS applications and programs division Web site and can assist security personnel in the performance of their duties. All security officers, except for the AVC and ISN principals assigned in ISN's executive office, have received DS unit security officer training.

Recommendation 29: The Bureau of International Security and Nonproliferation should have all principal unit security officers complete unit security officer training. (Action: ISN)

Security Awareness Refresher Training

Interviews revealed that DS has conducted neither security awareness training nor annual refresher briefings for AVC and ISN personnel. The bureau security officer was unaware of this requirement and has not requested such briefings. In accordance with 12 FAM 564.2, DS is responsible for directing the establishment of a program "to provide, at a minimum, annual security training for personnel having continued access to classified information." Lapses in such training can lead to security incidents and compromise of classified information.

Recommendation 30: The Bureau of International Security and Nonproliferation should request, and the Bureau of Diplomatic Security should provide, assistance in establishing a security awareness training program that includes annual refresher briefings for personnel in the Bureau of Arms Control, Verification, and Compliance and the Bureau of International Security and Nonproliferation. (Action: ISN, in coordination with DS)

Bureau Emergency Action Plans

AVC and ISN are current on all emergency action drills and coordinate these activities as part of the Harry S Truman facility emergency action plan. The mission critical teams successfully participated in the April 2013 Eagle Horizon national exercise program. Both bureaus' emergency action plans conform to the Department's revised template as overseen by the Bureau of Administration, Office of Emergency Management. However, AVC's and ISN's emergency action plans are not accessible on either the executive office Web site or the individual bureaus' Intranet sites. In accordance with 6 FAM 416.1-1 (10), the executive director is responsible for "ensuring the [bureau emergency action plan] is posted on the bureau Web site and all bureau personnel are aware of the plan and its related procedures" so that bureau personnel have immediate access to and knowledge of the plan's contents.

In addition, 6 FAM 416.1-1 (12) requires the executive office to provide a link to the Bureau of Administration, Office of Emergency Management SharePoint site for both bureau and facility emergency action plans from the bureau/office Web site (i.e., OpenNet and ClassNet). This link allows bureau/office personnel easy access to a full range of emergency preparedness information as well as information on the bureau plan.

Recommendation 31: The Bureau of International Security and Nonproliferation, in coordination with the Bureau of Arms Control, Verification, and Compliance, should post their emergency actions plans on their respective Intranet sites and establish a link to the Bureau of Administration's Office of Emergency Management SharePoint site. (Action: ISN, in coordination AVC)

List of Recommendations

Recommendation 1: The Bureau of International Security and Nonproliferation, in coordination with the Bureau of Human Resources, should establish a comptroller's office to oversee management of all bureau foreign assistance funding. (Action: ISN, in coordination with DGHR)

Recommendation 2: The Bureau of International Security and Nonproliferation should request, and the Bureau of the Comptroller and Global Financial Services should grant, read-only access to the Global Financial Management System to financial management staff in the program offices. (Action: ISN, in coordination with CGFS)

Recommendation 3: The Bureau of International Security and Nonproliferation should institute a monitoring regime for unliquidated balances, supervised by senior leadership, to deobligate unnecessary balances and to document justifications for continuing obligations that are not showing quarterly activity. (Action: ISN)

Recommendation 4: The Bureau of International Security and Nonproliferation, in coordination with the Bureau of Information Resource Management, the Bureau of the Comptroller and Global Financial Services, and the Bureau of Administration, should develop a single, searchable database that interfaces with the Department's Global Financial Management System. (Action: ISN, in coordination with IRM, CGFS, and A)

Recommendation 5: The Bureau of International Security and Nonproliferation, in coordination with the Bureau of Information Resource Management, the Bureau of the Comptroller and Global Financial Services, and the Bureau of Administration, should proceed with development of an interface between the Nonproliferation and Disarmament Fund's Financial Information Management System and the Global Financial Management System. (Action: ISN, in coordination with IRM, CGFS, and A)

Recommendation 6: The Bureau of International Security and Nonproliferation should require that all eligible program and project management personnel complete contracting officer's representative and grants officer representative training and obtain certification. (Action: ISN)

Recommendation 7: The Bureau of International Security and Nonproliferation should provide program and project management training, contracting with private providers for such training when necessary. (Action: ISN)

Recommendation 8: The Bureau of International Security and Nonproliferation should formalize a strategic planning function, reporting to the Assistant Secretary, with responsibility for establishing priorities, identifying emerging issues, and recommending appropriate deployment of bureau resources. (Action: ISN)

Recommendation 9: The Bureau of Arms Control, Verification, and Compliance, in coordination with the Bureau of International Security and Nonproliferation, should develop a policy paper, cleared at the deputy assistant secretary level, outlining the policy parameters of bureau activities involving the Biological Weapons Convention. (Action: AVC, in coordination with ISN)

Recommendation 10: The Bureau of International Security and Nonproliferation, in coordination with the Bureau of Arms Control, Verification, and Compliance and the Bureau of Political-Military Affairs, should establish a rating, reviewing, and reporting chain for the executive director and update the *Foreign Affairs Manual* accordingly. (Action: ISN, in coordination with AVC and PM)

Recommendation 11: The Bureau of International Security and Nonproliferation, in coordination with the Bureau of Human Resources, should designate one of the four deputy directors as the primary backstop for the executive director and reallocate responsibilities accordingly. (Action: ISN, in coordination with DGHR)

Recommendation 12: The Bureau of International Security and Nonproliferation should conduct a customer service survey. (Action: ISN)

Recommendation 13: The Bureau of International Security and Nonproliferation, in coordination with the Office of the Under Secretary for Arms Control and International Security, should draft a comprehensive, multiyear workforce plan. (Action: ISN, in coordination with T)

Recommendation 14: The Bureau of Administration, in coordination with the Bureau of International Security and Nonproliferation, should conduct a workforce study of the program offices so that only Federal employees perform inherently governmental functions. (Action: A, in coordination with ISN)

Recommendation 15: The Bureau of International Security and Nonproliferation should require all management staff to complete obligatory leadership training and should monitor compliance with this requirement. (Action: ISN)

Recommendation 16: The Bureau of International Security and Nonproliferation should include leadership and management principles in the work requirements and performance plans of leaders from deputy office director to Assistant Secretary. (Action: ISN)

Recommendation 17: The Bureau of International Security and Nonproliferation should require that each employee have an individual development plan. (Action: ISN)

Recommendation 18: The Bureau of International Security and Nonproliferation should develop and implement an action plan for mid-level Civil Service staff, including rotational assignments and overseas opportunities. (Action: ISN)

Recommendation 19: The Bureau of International Security and Nonproliferation should develop a bureauwide, prioritized training budget. (Action: ISN)

Recommendation 20: The Bureau of International Security and Nonproliferation should implement an Equal Employment Opportunity program, including a front office statement of commitment to program principles, appointment and announcement of certified counselors, and a link to the Office of Civil Rights Web site on the bureau's home page. (Action: ISN)

Recommendation 21: The Bureau of International Security and Nonproliferation should require that managers and supervisors attend mandatory Equal Employment Opportunity/diversity training. (Action: ISN)

Recommendation 22: The Bureau of International Security and Nonproliferation, in coordination with the Bureau of the Comptroller and Global Financial Services, should develop and implement a system of bureauwide management controls. (Action: ISN, in coordination with CGFS)

Recommendation 23: The Bureau of International Security and Nonproliferation should designate the executive director as the bureau management controls officer. (Action: ISN)

Recommendation 24: The Bureau of International Security and Nonproliferation should incorporate and update its SharePoint and Web sites with content provided by the executive office and other offices. (Action: ISN)

Recommendation 25: The Bureau of Political-Military Affairs, in coordination with the Bureau of International Security and Nonproliferation and the Bureau of Information Resource Management, should obtain a valid authorization to operate for the Defense Trade and Application System. (Action: PM, in coordination with ISN and IRM)

Recommendation 26: The Bureau of International Security and Nonproliferation should install environmental controls that provide the appropriate airflow and air-conditioning to their data centers. (Action: ISN)

Recommendation 27: The Bureau of International Security and Nonproliferation, in coordination with the Bureau of Diplomatic Security, should complete and sign the memorandum of agreement on bureau security officer support. (Action: ISN, in coordination with DS)

Recommendation 28: The Bureau of International Security and Nonproliferation should define specific duties and responsibilities and clarify chain of reporting for all security officers within the bureaus that report to the Under Secretary for Arms Control and International Security. (Action: ISN)

Recommendation 29: The Bureau of International Security and Nonproliferation should have all principal unit security officers complete unit security officer training. (Action: ISN)

Recommendation 30: The Bureau of International Security and Nonproliferation should request, and the Bureau of Diplomatic Security should provide, assistance in establishing a security awareness training program that includes annual refresher briefings for personnel in the Bureau of Arms Control, Verification, and Compliance and the Bureau of International Security and Nonproliferation. (Action: ISN, in coordination with DS)

Recommendation 31: The Bureau of International Security and Nonproliferation, in coordination with the Bureau of Arms Control, Verification, and Compliance, should post their emergency actions plans on their respective Intranet sites and establish a link to the Bureau of Administration's Office of Emergency Management SharePoint site. (Action: ISN, in coordination AVC)

Principal Officials

	Name	Arrival Date
Assistant Secretary	Thomas M. Countryman	08/2012
Executive Director	Sonna Stampone	08/2012
Principal Deputy Assistant Secretary for Non-Nuclear and Counterproliferation	Vann H. Van Diepen	06/2009
Office of Missile, Biological and Chemical Nonproliferation	Pamela Durham	01/2008
Office of Conventional Arms Threat Reduction	Ann Ganzer	09/2008
Office of Counterproliferation Initiatives	Philip Foley	10/2006
Biological Policy Staff	Christopher Park	10/2010
Deputy Assistant Secretary For Nuclear Affairs	C.S. Eliot Kang	09/2011
Office of Multilateral Nuclear and Security Affairs	John Fox	07/2012
Office of Nuclear Energy, Safety, and Security Affairs	Richard Stratford	06/2006
Office of Regional Affairs	Robert Gromoll	04/1999
Deputy Assistant Secretary For Non-proliferation Programs	Simon G. Limage	08/2012
Office of Cooperative Threat Reduction	Phillip Dolliff	08/2011
Office of Export Control Cooperation	Nan Fife	08/2013
Nonproliferation and Disarmament Fund	Steven Saboe	04/2006
Office of Weapons of Mass Destruction Terrorism	Geoffrey Odlum	06/2013
Office of Strategic Communications and Outreach	Margo Squire	06/2011
Fissile Material Coordinator	Michael Guhin	06/2008
Coordinator for Threat Reduction Programs	Bonnie Jenkins	07/2009

Abbreviations

AVC	Bureau of Arms Control, Verification, and Compliance
Department	U.S. Department of State
DS	Bureau of Diplomatic Security
EEO	Equal Employment Opportunity
FAH	<i>Foreign Affairs Handbook</i>
FAM	<i>Foreign Affairs Manual</i>
GFMS	Global Financial Management System
ISN	Bureau of International Security and Nonproliferation
ISN/CTR	Office of Cooperative Threat Reduction
ISN/ECC	Office of Export Control Cooperation
ISN/MNSA	Office of Multilateral and Security Affairs
ISN/NDF	Nonproliferation and Disarmament Fund
ISN/WDMT	Office of Weapons of Mass Destruction and Terrorism
PM	Bureau of Political-Military Affairs
TD	Technology division
WMD	Weapons of mass destruction



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