

HOUSE COMMITTEE ON BUDGET

TESTIMONY OF  
AMBASSADOR ANNE M. SIGMUND  
ACTING INSPECTOR GENERAL OF THE DEPARTMENT OF STATE  
AND BROADCASTING BOARD OF GOVERNORS

July 9, 2003

Chairman Nussle and Members of the Committee:

Thank you for this opportunity to share recent work of the Office of Inspector General (OIG) that has been instrumental to the Department of State and the Broadcasting Board of Governors (BBG) for improving economy and efficiency and for preventing fraud, waste, and mismanagement within their respective programs and operations. Several of our reviews were initiated as a result of a collegial partnership with Department and BBG principals, who willfully seek out OIG's fair and impartial reviews of high priority programs so that tax dollars can be utilized prudently and focused where needed most. This approach also affords OIG the best use of our limited resources by focusing many of our reviews and their potential impact in areas that are a high priority to the Department and BBG.

**Information Technology and Security**

OIG's work in the information technology area has been vital for strengthening the Department's implementation of a variety of new information technology and information security initiatives. For example, we recently reviewed the Department's implementation of the Foreign Affairs System Integration (FASI) project. As the lead agency for this global foreign affairs initiative, the Department was eager to receive OIG's diagnosis for addressing key concerns that resulted from the pilot test for planning and managing this initiative. In essence, the initiative's primary objectives are to support the U.S. foreign affairs community overseas by improving technology and the ability to share vital information across a common platform and thereby facilitate timely, effective management decisions and actions, which is commonly referred to as knowledge

management. However, OIG determined that the project was at risk of not meeting its objectives. Among our concerns was that the system's requirements resulted from an inadequate analysis of the mission and business processes that the system is intended to support. Moreover, the poor system requirements were exacerbated by an insufficient assessment of user needs and functions across organizations. Additionally, OIG found that the use of existing systems as potentially less costly alternatives was not adequately considered nor were provisions made to avoid duplication in approaching connectivity and knowledge management issues at overseas missions. As a result of our review, the Department merged the FASI project with a related messaging replacement system, which will allow it to reexamine user requirements and alternative approaches for meeting those requirements. Thus, the Department should be in a better position to establish executive sponsorship, produce well-defined cost models, and establish interagency agreements to ensure funding and commitment for the global implementation of this initiative.

Recent OIG information technology (IT) inspections at four missions – Lisbon, Madrid, Montevideo and Buenos Aires – were conducted within the last 6 months and yielded very similar findings in that they identified several opportunities for improving IT management controls, operational controls and technical controls. In terms of management controls, OIG recommended that these missions periodically assess their IT security vulnerabilities and risks; prepare and implement IT security plans to mitigate the identified vulnerabilities and risks; and routinely review and improve the established IT security controls. With respect to operational controls, OIG recommended that the Department take steps to ensure the adequacy of the IT security experience, training and education for its cleared American IT administrators and of its annual IT security awareness training for all users. Finally, concerning technical controls, OIG recommended that the Department improve the management of its identification, authentication, configuration, and audit trails controls.

### **Internal Controls**

Fundamental yet essential is OIG's assessment of internal controls that is aimed at reducing vulnerabilities for fraud, waste and mismanagement because it improves the Department's and BBG's accountability and management of real property systems and financial tools such as the government purchase card and the domestic travel card program. In our review of the Department's Domestic Travel Card Program, our objectives were to determine whether there were effective policies and procedures in place to manage the travel card program. In our report, we note that the Department had recently instituted several steps to improve the oversight of 90-day and 120-day past due delinquencies. However, the Department had not addressed the 60-day category of delinquencies, which are more susceptible to abuse because they occur before an account is suspended. In addition, OIG determined that the Department had not done enough to prevent and detect misuse of the cards but we noted that the Department is working with the Bureau of Human Resources, the Bureau of Diplomatic Security, and OIG to work out a notification process when employees misuse the cards or are delinquent with repayment. Moreover, the Department did not have adequate internal controls for ensuring the administrative oversight of the program. For example, the Department did not ensure (1) that program coordinators were managing an appropriate number of accounts; (2) accounts were transferred or canceled accounts as needed such as when an employee transferred or left the Department; and (3) multiple accounts are identified for the same employee. As a result, we recommended that the Department develop guidelines to address the 60-day travel card delinquencies, provide program coordinators with clear written guidance on an Intranet site and through formal training, and improve the oversight of the travel card program by checking for multiple accounts and transferring or canceling travel cards when an employee leave a bureau within the Department. The Department implemented all of our recommendations, with the exception of blocking certain types of transactions because the Department cannot ensure that valid transactions overseas will not be rejected.

Similarly, our review of the Department's Worldwide Purchase Card Program was designed to evaluate the effectiveness of domestic operations for the program and determine whether the Department was achieving cost savings. We found that the

program had experienced rapid growth in the number of cardholders since its inception and that the Department's customers were receiving goods and services more quickly under the program. However, we also found that in light of the rapid growth in cardholders, part of the growth was attributable to purchase card users who made infrequent or no transactions. Moreover, about 12 percent of the domestic transactions review by OIG lacked required documentation for OIG to verify independently that purchases were made properly and reconciled in a timely manner. Further, responsible officials interviewed by OIG had not conducted required annual reviews of their offices' purchase card operations. OIG also found that the Department's method for determining cost savings – the reduction in the number of paper purchase orders processed – does not necessarily capture the actual administrative cost reductions that have occurred. Finally, OIG found inappropriate procurement practices that, if changed, could yield additional cost savings for the Department. Recent Department guidance on the purchase card program should help address the documentation and annual review issues. However, our report recommends that additional steps be taken. For example, we recommend that the Department examine low purchase card usage, clarify its reporting on cost savings from the program, and explore additional cost avoidance measures.

In our review of the Broadcasting Board of Governors (BBG) Controls on Domestic Personal Property, OIG examined whether the International Broadcasting Bureau (IBB) had established effective policies for inventory controls at six of its property management units. OIG found that the IBB did not have fully functioning property management policies and procedures to ensure that government property is properly used and safeguarded. Furthermore, there was no evidence that a complete property inventory had ever been conducted by the IBB. Therefore, OIG made several recommendations, including the establishing an agency-wide inventory for providing a baseline, an implementation plan for bringing the agency into compliance with applicable accounting and reporting requirements, and a single, centralized receiving operation for all international broadcasting offices to ensure better accountability. The IBB generally agreed with our report and has taken steps to implement our recommendations.

Likewise, OIG recently surveyed the Department's progress in complying with the Federal Activities Inventory Reform (FAIR) Act of 1998 and determined that the Department's inventory for fiscal year 2001, which listed 3,046 full-time-equivalent (FTE) positions as available for competition was developed in an inconsistent manner and, thus, was inaccurate. OIG recommended that the Department utilize a clear and consistent methodology for preparing future inventories. As a result of our review, the Department has taken a more comprehensive, systematic approach to compiling the 2002 inventory. OIG will continue to monitor the Department's effort to implement the FAIR Act and we plan to revisit the issue by examining the new methodology in the coming months.

### **Investigations**

Central to OIG's portfolio for preventing fraud, waste, and mismanagement is our investigative work, highlights of which identified approximately \$2.5 million that had been embezzled from Embassy Lusaka as a result of a Foreign Service National directing funds to bank accounts associated with bogus vendors. OIG identified an additional \$850,000 that had been embezzled between May 1997 and June 2000 from the Miami Passport Agency for which two Department employees were indicted on a conspiracy charge and were ultimately sentenced for imprisonment. In a recent review of the Department's domestic passport operations, OIG found that a comprehensive set of internal control procedures for cashiering and blank passport book controls had been established. However, we also found that internal control procedures for cashiering had not been implemented consistently at five of the six passport agencies visited. In addition, OIG found that the Department's management assessment/internal control reviews are not conducted frequently enough to adequately assess their reliability. Finally, OIG concluded that the unannounced adjudication audit program is not achieving its primary objective of preventing and detecting malfeasance. The Department agreed with all of OIG's recommendations with the exception of requiring all passport agencies to perform daily reconciliations of the cash receipts and cash register summary reports.

Mr. Chairman that concludes my brief overview of recent OIG projects that highlight the important contributions that we make to ensure accountability in the Department and BBG's operations and programs and thereby reduce the risk for fraud, waste, and mismanagement of federal funds. I will be happy to address any questions that you may have.