

**Statement of Anne M. Sigmund,
Acting Inspector General of the
U.S. Department of State and
Broadcasting Board of Governors
for the
Committee on Government Reform
Subcommittee on National Security, Veterans Affairs,
and International Relations
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Mr. Chairman and Members of this Sub-committee:

Thank you for this opportunity to discuss with you today some of the serious management challenges facing the Department of State. This hearing continues the useful and productive on-going dialogue between this committee and the Department's Office of Inspector General. The State Department has made real progress in meeting some of its management challenges but sustained commitment, strategic planning and adequate resources are essential for their ultimate resolution. Viable solutions also depend on a cooperative relationship between the State Department with its OIG and committees like this one.

Summary

I want to discuss with you today a number of issues that were identified by my predecessor when she addressed this committee in July. One of the most pressing challenges for the Department is providing for the protection of its people, information and diplomatic facilities overseas. In the wake of 1998 bombings of two of our

embassies in Africa, the Department responded with alacrity to implement emergency supplemental measures. We commend the Department for its rapid response and its senior managers for their full engagement in dealing with this issue. The post-Africa bombing measures run the gamut from improved shatter resistant window film for all missions and strengthened perimeter defenses, to the institution of new initiatives like the surveillance detection, overseas wireless, and armored vehicle programs. These programs have given our embassies additional layers of real protection. The Department recognized the urgency of implementing these programs on a global basis. OIG believes that our staff and our buildings are better protected now than they were before the tragic bombings. In our forthcoming work, OIG will encourage the Department to consider whether some of these initiatives should now be adapted more specifically to local security environments with their unique characteristics.

The Department has made significant improvements in the area of financial management. However, serious problems persist and represent a challenge to State operations that must be met. I am pleased to note that, for the first time, the Department submitted its fiscal year 2000 financial statement with the required OIG audits to OMB by the March 1st deadline. For the fourth year running, our audit gave the Department an unqualified opinion to the effect that its financial statements were free of material misstatements. Nevertheless, in preparing this year's recent audit of State's financial statement, OIG reported significant potential weaknesses related to information systems security that will require continued, careful attention. On the positive side, at the end of fiscal year 2000, the Department has made significant progress in correcting the majority of weaknesses that were reported in the annual Federal Managers' Financial Integrity Act report.

Another major challenge for the Department is strengthening the authority of the Chief of Mission, as the President's representative, to coordinate the policies, resources, and activities of all agencies operating at our embassies overseas. The number of agencies, which have not traditionally operated overseas, has grown significantly in recent years. Our ambassadors must have the tools they need to provide effective

leadership for the achievement of multi-faceted foreign policy goals and for the advancement of U.S. national interests.

In the area of strategic planning, OIG notes that the Department continues to make progress in implementing the Government Performance and Results Act. However, we believe that the Department still needs to identify overall priorities for its strategic goals and to devise a better process to link resources with those priorities. With respect to international broadcasting, OIG determined that the Broadcasting Board of Governors' strategic plan did not comprehensively address its delivery systems or explain how surge capacity to support U.S. foreign policy objectives during a crisis would be provided. Although the BBG had a framework in place for assessing and planning for its transmission system, we recommended that BBG strengthen its strategy planning to bring it into greater conformity with OMB guidelines.

Office of Inspector General's Operations

OIG's mandate is to identify ways to improve the efficiency and effectiveness of the Department of State's and the BBG's operations, and to detect and prevent waste, fraud and mismanagement. In the period since we last testified before this subcommittee, we have conducted audits, including reviews of exchange program grants, the Department's financial statements, and of passport office operations. We have inspected a range of embassies in Latin America, Africa, Europe and Asia. In a number of these inspections we focussed on security and intelligence oversight. We place a high priority in assessing how well our embassies are able to respond to threats from terrorism, physical intrusion, intelligence penetration, and crime. We have also conducted investigations that have examined the ethics and accountability of both our employees and program activities, as well as pursued aggressively cases of passport and visa fraud. Our goal is to be proactive in helping the Department address the challenges it faces as the lead agency representing U.S. interests overseas. OIG is committed to strengthening the Secretary of State's ability to pursue the foreign policy objectives of the United States free from the impediments arising from mismanagement, waste and fraud.

I would like to turn now to a more detailed discussion of the management challenges that may be of most interest to this sub-committee.

Improving the Security of Our Staff and Facilities

The protection of American personnel and facilities overseas is one of the most daunting challenges confronting the Department. The nature and degree of the threat to our security are constantly changing. In the wake of the August 1998 bombings of our missions in Nairobi and Dar es Salaam, the Department has re-defined the environment in which our embassies must operate to reflect a high or critical threat from globally operating terrorist organizations. In the aftermath of the bombings, OIG worked closely with the Department to enhance the security of our traumatized staff in the interim facilities that had been selected. Our review of the interim facilities in Nairobi and Dar es Salaam produced a number of recommendations that were adopted by the Department and enhanced significantly the safety of our staff. However, even with a global threat that must now be regarded as affecting all our embassies, OIG believes that our people overseas are generally better protected than they were in the days preceding the 1998 bombings. The Department has made real progress in addressing security vulnerabilities. Many of the actions taken were in response to OIG recommendations. It should be underscored, however, that most of our embassies still lack adequate setback. This means that they are still vulnerable to attack from large vehicle bombs or from the terrorists who are ready to sacrifice not only their own lives but also the lives of those within.

Under these conditions, providing for the safety of our people and the security of our buildings must remain a high management priority for the Department. Adequate protection will require billions of dollars and sustained commitment for a number of years before the Department can replace the many chanceries, consulates and other buildings in which our personnel currently work at risk. The FY 1999 \$1.5 billion Emergency Security Appropriation gave the Department the first significant funding in a

decade with which to address security weaknesses. These funds allowed us to replace some of our most vulnerable embassies and to make major security modifications to existing facilities by providing for new perimeter walls, blast resistant windows, shatter resistant window film, among the other physical security enhancements. The appropriation also covered replacement of our aging armored vehicles, new emergency radios and the creation of surveillance detection units for each embassy.

Since this major security supplemental, OIG has worked closely with the Department in overseeing these initiatives and looking for ways to improve security. The Department has done a commendable job in getting these new programs underway. As we have reported earlier, in a June 2000 review that looked at 42 embassies, OIG found that none of them met all physical security standards. The lack of adequate setback was the most prevalent deficiency. Addressing the setback question and providing anti-ram perimeter walls will require a major, long-term construction effort. In the interim, the Department has stepped up its pace to correct those vulnerabilities that can be addressed quickly, such as improving the local guard service, lighting or appropriate alarms at the chancery.

A program of sustained capital investment is essential to ensure the safety of our diplomatic infrastructure in the future. However, such a program will not immediately alter the circumstances of personnel overseas. Over the next five years, the Department will be taxed in its management of projected major construction projects at our posts overseas. Last November, FBO advised OIG that, subject to availability of funding, the Department would like to initiate as many as 15 new projects by the end of fiscal year 2001. Again subject to the availability of funds, as many as 17 would be started in fiscal year 2002. Regardless of the number of proposed projects, construction is expected to remain at significant levels through fiscal year 2005. This will require sustained commitment and attention from the Department's senior management.

In May 2000, Embassy Moscow moved into its new secure chancery after nearly six years of construction to replace an earlier building that had been extensively

compromised by Soviet technical intelligence penetration. The Moscow Secure Chancery project was unique in the attention given to security with respect to both its design and construction. Since 1994, OIG has worked in partnership with the Moscow Embassy Building Coordinating Office and the intelligence community to ensure any issues that might compromise security were identified early and corrected. Last fall, OIG completed its last oversight review and concluded that the construction had accomplished its objectives. Without getting into classified detail, I am pleased to note that OIG has worked closely with the Department to take the necessary additional action to provide adequate staffing and support necessary to maintain the secure chancery.

The planned construction for Embassy Beijing presents equally demanding challenges to those faced by the Department in the Moscow project. Once construction agreements are finalized, OIG intends to establish a China Oversight operation, modeled on its Moscow Oversight Team, to conduct ongoing security reviews of the China project from design phase through to final construction.

Other New Embassy Construction

Starting in 1999, OIG has sent small teams to evaluate security in the construction of new embassies and temporary or interim office buildings. I have noted our recommendations with respect to our interim facilities in Nairobi and Dar es Salaam. We also made recommendations regarding the new chancery in Kampala. We have reviewed construction in Luanda and Doha as well as in Pristina, Kosovo. In the case of the Pristina review, OIG commended the Department's efforts to protect our facility and staff.

The significant expansion of embassy construction over the next three years will also tax OIG resources. We are expanding our security oversight to include interdisciplinary reviews of building designs for new chanceries to determine if these designs have the security features necessary to meet the local threat situation. We will be looking for ways to make the building process more efficient as well. Given the costs to

the Department, OIG also plans contract and procurement audits as well as construction oversight. OIG, however, will not have the resources to examine each new project with the same level of scrutiny. In close consultation with the Department, we will seek to establish clear priorities in deciding where to focus our efforts, given current funding and personnel constraints.

Enhancing Emergency Preparedness

The need for more attention to emergency preparedness and the importance of conducting crisis management exercises and emergency drills is an issue of concern for OIG. Our inspection teams find that many posts are not conducting mission-wide exercises of all required drills in all facilities. In response to OIG recommendations, the Department issued instructions to all chiefs of mission to conduct these drills. The Secure Embassy Construction and Counter-terrorism Act of 1999 requires that the Department provide crisis management training for mass casualty and mass destruction incidents relating to diplomatic facilities. The Act also mandates a program of instruction in crisis management for personnel at embassies at least annually.

In August 1998, OIG strongly recommended that the Department implement worldwide “duck and cover” drills and install “imminent danger notification alarms” that could be activated by local guards protecting the embassy perimeter. Admiral Crowe’s Accountability Report made this its first recommendation. In the more than sixty security oversight inspections we have conducted since then, OIG is encouraged by the progress in implementing these key security initiatives. Last August, OIG further recommended that embassy warning alarms be simplified so that there were only two warning tones: one for immediate “duck and cover,” the other for immediate evacuation of the building. The Department is currently developing formal instruction for this change.

OIG recently concluded a comprehensive review of the Surveillance Detection Program and will shortly conclude audits of the Overseas Wireless Program and the Armored Vehicle program. These three new initiatives were also funded under the

Emergency Security Appropriation. The OIG commends the speed with which the Department implemented these programs and recognized, in the wake of the 1998 bombings, the need to get new security programs underway quickly. It is now time to tailor these programs more specifically to individual embassy needs. Forthcoming OIG work will recommend that the Department consider whether some of these programs should be adjusted to adapt better to the specific local security environment of our embassies.

Protecting Classified Information

OIG's previous work in this area highlights the protection of classified information, both domestically and abroad, as a continuing challenge for the Department. The Department's antiquated information systems add significantly to the difficulty of this task.

Last September, the Department issued a directive notifying all employees of the revised Information Security Incident Program. The revisions included measures, which strengthened the definition of a security violation, reduced the threshold to initiate administrative actions for security infractions from five violations to three, increased the window of the reporting period in which aggregate security violations would be counted toward a security clearance review from 18 months to three years, and created a Diplomatic Security electronic help desk to assist employees with information security questions. Revisions to the Foreign Affairs Manual included the requirement that all security incidents, whether overseas or domestic, be reported to the Office of Diplomatic Security for adjudication.

In addition to security briefings provided to all new Foreign Service and Civil Service employees, mandatory annual refresher briefings have been initiated for all employees. OIG will soon begin a compliance follow-up review of the Department's policies and procedures for protecting classified information at Main State Headquarters. We are working closely with INR and the intelligence community on ways to improve

the security of sensitive compartmented information (SCI) at Main State to ensure that it is protected under the provisions of the DCI's directives. We expect to complete a review of these measures along with an assessment of the Department's escort program by the end of June 2001. OIG will also assess the Department's progress in implementing recommendations to strengthen the Department's disciplinary actions on security incidents and violations.

Improving Information Technology

The Department has made significant improvements in its information technology infrastructure over the past few years. It successfully addressed the Y2K problem, which necessitated the fixing or replacing of hundreds of information systems and hardware devices. Key factors for the Department's success were the strong leadership and commitment demonstrated by the Department's senior managers to ensure that the Department's worldwide operations would continue unimpeded in the Year 2000. OIG will release shortly a report that examines the Department's and the foreign affairs communities' strategies for addressing the Y2K problem and draws lessons for future technology issues from their success. The report concludes that commitment, coordination and collaboration, recognizing and exploiting opportunities for management improvements, monitoring, reporting data, awareness and cultural differences were critical elements of successfully meeting the Year 2000 challenge. In our view the Department should adopt some of the practices it used during its Y2K efforts to address the challenges it faces in the area of information technology. According to the President's Fiscal Year 2002 budget blueprint, the Department anticipates developing a long-term investment strategy for new technology to address the needs of diplomacy. Its elements include modernizing the Department's secure communications capabilities and utilizing new access to the Internet, which offers real advantages with respect to information and communications. The Secretary has stated his intention to make sure that 30,000 desks throughout the Department are wired for unclassified access to the Internet. This is a decisive step in the right direction for the Department over the next

couple of years. The success of all of these initiatives will depend on sustained commitment to a long-term effort.

Enhancing Information Security

During the past year, OIG has developed work that demonstrates the difficulties information security represent to the Department's managers. For example, OIG reviewed the Department's plans and policies with respect to cyber infrastructure protection domestically and overseas. Recent OIG work on critical infrastructure protection revealed that the Department has developed a suitable framework for critical infrastructure, but its plan falls short in a number of areas. The plan, for example, does not address the vulnerability of the Department's overseas operations to possible cyber-based infrastructure disruptions. The Department's plan also does not adequately address the requirement to test the security controls of its critical systems at least once every three years. The Department generally agrees with our findings on critical infrastructure and is taking steps to improve its planning and implementation efforts.

OIG will conduct additional work on information security issues this year focused on both domestic and overseas systems. We will assess information security management at embassies as part of our post security inspection efforts. In addition, we will conduct an overall evaluation of the effectiveness of the Department's computer security program, as required by the Government Information Security Reform Act. We intend to consult closely with both the Department and Congress on how best to address the challenge information security presents over the next five years

Improving Financial Management

Despite significant improvements in this area, financial management remains a major challenge for the Department. As of this fall, the Department had corrected all but one of the ten material weaknesses reported in the 1998 Federal Managers' Financial Integrity Act report. While new weaknesses were subsequently added as a result of the consolidation with USIA, the Department has made real progress in this area.

Furthermore, the Department submitted its FY2000 principal financial statements by OMB's March 1 deadline with a clean opinion from OIG that its financial statements were free of material misstatements.

More, however, remains to be done. For instance, in its review of the Department's financial statements, OIG reported one material weakness based on GAO findings that the information system networks for domestic operations, including the financial management systems, which process data using these networks, may be vulnerable to unauthorized access. This weakness was first reported in OIG's opinion on the 1997 financial statements based on penetration tests performed by GAO. While the Department has implemented changes to address GAO's concerns, the network had not been re-tested as of March 1, 2001. The Department is currently making arrangements for an independent evaluation of the network. The Department has also made progress in dealing with significant weaknesses OIG identified with the Paris Financial Service Center's Accounting and Disbursing System, including access vulnerabilities, issues with the internal control environment, and concerns with physical security.

OIG reported significant internal control weaknesses related to the management of unliquidated obligations. While the Department made important improvements in managing these unliquidated obligations, including developing a database to track them, several new programs have been added, which has increased the balance from \$1.7 billion as of September 30, 1998, to \$3.5 billion as of September 30, 2000. These new programs include the USIA/ACDA consolidation, Plan Colombia and the emergency security supplemental. In addition, we reported weaknesses related to managerial cost accounting and the Department's financial and accounting systems, both of which constitute an internal control weakness and an issue of noncompliance with several laws and regulations such as the Chief Financial Officers' Act. The Department submitted a remediation plan to OMB in March 2000 to bring its accounting systems into compliance with the Federal Financial Management Improvement Act of 1996. OIG is tracking the Department's progress in implementing this plan.

Strengthening Chiefs of Mission Authority

The OPAP, Carlucci, and Stimson Reports have a common theme in strongly recommending the strengthening of chiefs of mission authority to direct, coordinate and oversee activities of all agencies operating under the embassy's umbrella. This includes foreign assistance programs, intelligence activity and law enforcement operations. Over the past two years, OIG has placed particular emphasis on enhancing ambassadors' authority and has worked with the Department to clarify chiefs of mission responsibilities.

Each of our post inspections evaluates the effectiveness of the ambassador in managing post operations and coordinating the activities of all agencies at post. Among the areas examined are intelligence and law enforcement operations. OIG reports have resulted in major improvements in training for chiefs of mission as well as recommendations for enhancing oversight and coordination at specific posts. In fiscal year 2001, OIG has tailored its inspection program specifically to assess how well ambassadors are overseeing and coordinating intelligence and law enforcement activities at missions with large counter-narcotics programs or law enforcement activities. OIG places particular emphasis on the importance of the 1996 Memorandum of Understanding in clarifying responsibilities. In addition, the projected re-issuance of the President's Letter of Instruction to chiefs of mission will be an important step in underscoring the responsibility of our ambassadors as the President's representatives for coordinating and supervising all U.S. Government activities at post. The President's instruction will also highlight ambassadors' responsibility for the safety and security of all official personnel not under the authority of a theater command.

The importance of coordinating USG programs and operations is particularly obvious for a number of key policy initiatives like the anti-narcotics programs in Latin America. In July 2000 OIG issued a report that reviewed aspects of our counter-narcotics effort in Colombia. Significantly, OIG concluded that despite the increased spraying of drug crops and the expenditure of over \$100 million during fiscal years 1997 through

1999, the overall effectiveness of the eradication effort is uncertain. A major policy management concern for the Department is the challenge of providing effective oversight of the drug programs in Latin America, particularly in light of the recent appropriation of \$1.3 billion in U.S. assistance to Colombia.

OIG has work underway to assess chief of mission oversight and his or her ability to coordinate the activities of the several agencies involved in narcotics operations. OIG plans to review specific aspects of Plan Colombia in coordination with GAO.

Managing Federal Assistance

The Department oversees the administration and management of a number of federal assistance activities, such as those mentioned above that relate to narcotics programs, as well as programs dealing with population, refugees and migration. These activities are funded through the Department. Increasingly, Economic Support Fund activities, traditionally handled by AID, are being managed by the Department in cases of countries where there is no AID operation. As a result of consolidation with the U.S. Information Agency, the Department is now responsible for a wide variety of educational and cultural programs totaling over \$200 million.

The Department has responsibilities for managing and providing oversight for significant grants and other federal programs in areas where, in the past, its responsibilities were largely confined to policy formulation and implementation. OIG acknowledges the Department's efforts to address this important new function. OIG is currently working with the Department's managers to identify the scope and magnitude of assistance programs under its purview and the Department's capacity to manage them. OIG will assist the Department in establishing uniform policies and procedures for issuing and managing these funds.

Strategic and Performance Planning

As we reported in our most recent “Semiannual Report to Congress,” overall the Department’s strategic planning process is improving, although it does not yet fully comply with the Government Performance Results Act. OIG has highlighted the need for improved performance information in the Department’s bureau-level plan. The Department has still not developed overall priorities for its strategic goals and consequently has no overall basis for allocating resources to those priorities.

Although the fiscal year 2001 Performance Plan is more comprehensive than its predecessors, it still falls short of adequately addressing shortcomings found in previous years. OIG found that the fiscal year 2001 plan provides more detail and uses a format that attempts to capture more of the performance goals and measures. However, the fiscal 2001 Performance Plan lists performance goals and measures by bureau, which does not readily translate to an assessment of the Department’s performance as a whole. The plan lacks adequate discussion of interagency coordination, resource allocation, data limitations and data verification/validation.

One major planning challenge for the Department is to develop outcome-oriented annual performance goals and associated measures. This will require attention from the Department’s senior managers in setting priorities and developing overall annual performance goals and measures that can be used to assess the Department’s progress in meeting its strategic goals. Without senior management engagement, bureaus and embassies will remain frustrated with what they regard as a “paper exercise.” Decision-makers will be limited in their ability to determine the effectiveness of their programs. OIG will continue to identify areas where the Department can improve its planning efforts so that the Department can fully comply with the Results Act.

Human Resource Challenges

In response to the challenges of attracting, retaining and training employees, the Department has undertaken several new initiatives. For example, the Department plans to extend the standard tour of duty for Foreign Service personnel at non-differential posts from three to four years. There will, of course, be exceptions for posts where conditions argue for retaining the three-year tour-of-duty. The new tour-of-duty will allow the Department to take fuller advantage of language and other specialized training and may result in some cost savings. Additionally, we reviewed the Civil Service to Foreign Service Hard-To-Fill Program and concluded that, overall, the program has been a useful expedient in reducing the impact of serious Foreign Service staffing shortages. The program has also broadened professional experiences for participating Civil Service employees.

One of the biggest retention problems for the Department – and one which is growing – is dual-career couples. This includes tandem couples, where both are in the Foreign Service, and couples where the other spouse has a career outside the Foreign Service. The Department continues to grapple with providing career opportunities and other support to dual career couples.

However, the Department needs to devise ways of dealing with the divisions among its three distinct workforce components: the Civil Service, the Foreign Service and Foreign Service Nationals. Divisions exist as well between State Department staff and the overseas staff of other agencies. As a result of our work in inspections, OIG believes that the Department should examine ways to integrate better the Foreign and Civil Services. One direction the Department should consider is greater assignment integration. The Department should also expand training and professional opportunities for both services. OIG will continue to monitor closely the Department's effort to develop a personnel structure more responsive to its needs.

The Department has made some improvements in its ability to project intake requirements for Foreign Service personnel and to calculate Foreign Service promotion opportunities. The Department has been using an Overseas Staffing Model and has recently completed the Diplomatic Readiness Plan for its human resource needs. A domestic staffing model to complement the Overseas Staffing Model is being prepared. The Department believes that this will greatly improve its ability to match resources with needs. However, OIG is still concerned that the Department's workforce planning remains fragmented. It lacks linkages to strategic planning processes, and is focussed almost exclusively on the American Foreign Service component of its workforce. As a result, the Department is still poorly positioned to define and defend the personnel requirements it needs to implement U.S. foreign policy objectives and strategies. More work is needed to develop comprehensive workforce planning strategies and the tools to implement them. OIG will continue to encourage the Department to move in this direction as rapidly as its resources permit.

The Department's senior managers acknowledge the importance of job-related training and longer-term professional education as essential for achieving both organization goals and for individual career advancement. Unfortunately, resources for this purpose still lag far behind the need. The Department believes that it requires approximately 1,200 positions and \$100 million for full staffing and to create a "personnel float" that could be used to release employees from jobs for essential training and as well as providing greater flexibility to respond to crises. While the OIG has not verified these figures, it is clear to us that training continues to suffer because of serious understaffing problems.

OIG believes that the Department's Foreign Service Institute is fulfilling well its role as the premiere training facility for America's foreign affairs agencies. It recently established a very promising program for leadership management and training that should do much to overcome many of the leadership-related problems that OIG finds as a result of its inspection and audit field work. FSI has also pioneered successful programs for distance learning. In response to OIG recommendations, FSI carried out a creative

merger of the Career Transition and Overseas Briefing Centers, which reduced staff by three full-time positions at a savings of approximately \$200,000.

In an inspection of an important geographic bureau, OIG found an absence of good workforce management, difficulty in recruiting and retaining officers and clerical staff and a need to increase project management skills. Understaffing had led to gaps in recruitment. This bureau was being forced to rely in a number of cases on rehired annuitants, contractors, and interns to compensate for the lack of full time employees. Officers were spending unnecessarily long hours drafting and clearing papers without sufficient guidance to ensure that they were relevant to policymakers. This pattern can be found elsewhere in the Department and overseas.

OIG inspected 18 missions and a regional bureau in the last year. Those reviews revealed some problems at post arising from the initial phase of Department/USIA consolidation. Other systemic issues included the administrative difficulties faced by embassies in supporting a growing number of U.S. direct-hire staff, primarily from other agencies. Chronic staffing shortages and poor facilities, particularly in a number of African posts, continue to affect embassy operations.

FSN Retirement System

Many Foreign Service National employees do not have adequate retirement plans. Often, the local social insurance systems to which embassies and the FSNs contribute do not provide the benefits promised. This is especially true for FSNs in developing countries where the absence of legal and financial safeguards, with resulting corruption, make pension promises meaningless. In order to assist our FSNs, OIG supports the Department's efforts to establish an alternative pension plan to ensure adequate retirement incomes within the limits of local practice. The FSN pension issue and the problem it represents for our embassies have been cited in many post inspection reports throughout the last decade. Most recently, a discussion of this problem appeared in

inspections of Bamako, Mali, Dakar, Senegal, and Sarajevo, Bosnia-Herzegovina completed last fall.

In response to OIG recommendations, the Department has explored a variety of ways to establish an alternative FSN retirement plan, including establishing an off-shore retirement account, but has encountered significant legal difficulties related to the technical aspects of managing retirement funds. OIG would fully support a legislative initiative by the Department to resolve this issue.

Improving American Citizen Services

The Department places a great importance on providing services to American citizens abroad. Recently, the Department contracted out a survey to assess customer satisfaction and intends to identify areas where improvements can be made. OIG looks forward to working with the Bureau of Consular Affairs to assist in the process of evaluating progress by consular officers in eliminating the problems that will be identified in the survey. Although a high priority, the protection of Americans residing overseas is often complicated by poor communications infrastructure. In OIG inspections of consular services at embassies, one of the issues examined is the embassy's warden system used for contacting American citizens in emergencies. In general, we find that embassies take this responsibility very seriously.

Consular Operations and Border Security

Because many consular positions are filled with entry-level Junior Officers, Foreign Service understaffing and a decline in recruitment rates in the middle to late nineties have had an adverse affect on consular operations. These staffing constraints have not only reduced the ability of consular offices to meet all the needs of American citizens, but have also had a negative impact on visa operations, particularly at small posts. Recent OIG inspections in West Africa, for example, revealed that inadequate training and support for first-tour officers in consular positions has led to lapses in non-

immigrant visa management at some posts. OIG recommendations to counter this problem have led to the establishment of new regional consular officer positions to improve oversight of these small posts, and the development of new training programs specifically designed for entry level officers at one officer posts. The Bureau of Consular Affairs has been pro-active in upgrading training for its consular officers and in circulating information among its consular sections on patterns of fraud. Perhaps, one of the most serious obstacles to countering visa fraud is the lack of a fully integrated lookout system between the Department and INS. A more fully integrated system would utilize advances in electronic storage and retrieval of visa records and make visa fraud easier to deal with.

International Broadcasting

Also under OIG's purview is the now independent Broadcasting Board of Governors. In a recent report, OIG evaluated BBG plans and initiatives for management and operation of its worldwide broadcast transmission delivery system. The system, valued at more than \$1.5 billion, broadcasts to more than 90 countries in 61 languages primarily using radio and television. We found that the BBG strategic plan did not comprehensively address the delivery system or the provision of surge capacity to support U.S. foreign policy objectives during crises. Although BBG had a framework in place for assessing and planning for the transmission system, we recommended that BBG strengthen its strategic planning to bring it into better conformity with OMB guidelines. We also recommended that BBG develop and document surge capacity plans to support U.S. foreign policy objectives. Notwithstanding, we noted that BBG transmitting stations themselves were well managed.

OIG will shortly issue a report reviewing BBG's compliance with the Foreign Affairs Reform and Restructuring Act of 1998, which mandated its transition to independence. As of October 1999, USIA was merged into the Department of State and BBG became an independent federal entity. BBG independence did not result in any significant broadcasting changes. However, BBG made a number of organizational

changes to incorporate some functions previously performed by USIA; e.g., legal counsel, contracting, security and civil rights. Notwithstanding, several operational issues remained unresolved with the Department of State in connection with independence. We found that BBG and the Department have not come to agreement on a Memorandum of Understanding on future operating arrangements between the two parties. Two key areas that continue to hinder resolution of the MOU include BBG's level of support for the Department's interactive and other diplomacy programming and the extent of chief of mission authority over VOA correspondent travel overseas. Lack of resolution of these issues is delaying important communications to overseas posts concerning how the new BBG and the Department will work together. OIG's report recommends that BBG and the Department finalize outstanding operational agreements and resolve their differences.

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Mr. Chairman, these are the key issues I wanted to highlight today. Thank you for this opportunity to testify before your subcommittee on the major management challenges confronting the Department and the Broadcasting Board of Governors. I look forward to working with you and the members of this subcommittee to ensure that these management concerns are addressed. I would be happy to answer any questions you may have at the appropriate time.