

Message from the Inspector General



I am pleased to present the Office of Inspector General's (OIG) FY 2006 Performance Report. OIG's results for the past year were noteworthy, despite the daunting challenge of meeting exponentially increasing demands for our expertise and oversight within the continuing constraints of limited resources and rapidly rising costs. Our work provides real-time information to the Department and Congress on matters affecting the Department's most critical programs, including on-the-ground reviews in Iraq and Afghanistan. OIG's value added is demonstrated in significant findings, cost efficiencies and savings, and actions taken by the Department and BBG in response to OIG work that result in improvements to the effectiveness, efficiency, economy, and integrity of their operations and the safety, quality of life, and accountability of their personnel.

I am proud of the contribution OIG makes to helping the Department address its management and performance challenges. The scope of our oversight mandate and the opportunity it offers to make a positive impact in strengthening the management of the Department continue to expand rapidly. During FY 2006, OIG expanded its oversight to encompass new Department initiatives in transformational diplomacy, global repositioning, and public diplomacy, as well as substantial increases in programs for Iraq and Afghanistan, counternarcotics, counterterrorism, embassy construction, and information technology. Significant growth in the number of programs and grants with mandated OIG oversight, congressional and management requests for special reviews and investigations, and opportunities for joint activities with other departments, agencies, and OIGs further enhance both the challenges and the benefits of our work.

The expansive scope of these activities has resulted in substantial benefits to the U.S. Government and the American taxpayer. OIG accomplishments in FY 2006 have supported the Department's strategic goals as well as OIG's vision of promoting effective management, accountability, and positive change in the Department of State and the Broadcasting Board of Governors (BBG). During FY 2006, OIG activities resulted in actual recoveries and identified savings of more than \$31.3 million, as well as issuance of 100 reports with recommendations to improve Department and BBG programs and operations. Other substantive outcomes of our work included:

- Actions toward a strategic plan for Embassy Baghdad's rule-of-law programs, which will strengthen the embassy's coordinating role and increase Iraqi participation in project development;
- Improvements to strengthen Iraqi anticorruption programs by increasing the effectiveness of Embassy Baghdad's interagency working group, establishing a strategy for U.S. advisors and trainers to bridge gaps between Iraqi anticorruption institutions, and supporting a training facility for Iraqi anticorruption personnel;
- Strengthened internal management controls at the Global Financial Services Center in Charleston;
- Immediate security improvements and potential cost avoidances for the new embassy construction project in Beijing, China; and
- Corrective actions to improve border security and reduce vulnerabilities from terrorists.

OIG has accomplished a lot this year, but like the Department, we have much to do to meet the management and performance challenges we have set for ourselves. I am committed to restoring OIG's capabilities to provide the oversight and advisory assistance necessary to assure the Department, Congress, and the American taxpayer that the programs and operations we review are as effective, efficient, economical, and accountable as possible.

Howard J. Krongard
Inspector General

OIG FY 2006 PERFORMANCE RESULTS

This overview presents the highlights of OIG's FY 2006 accomplishments and progress in achieving its strategic and performance goals.

OIG Responsibilities and Organization

The mission of the Office of Inspector General is to conduct independent audits, inspections, and investigations that advance the missions of the Department of State (Department) and the Broadcasting Board of Governors (BBG). As required by law, OIG provides independent, objective, and professional oversight of these operations and activities through a rigorous program of inspections, audits, special reviews, and investigations. It is OIG's responsibility to examine, evaluate, and, where necessary, critique these operations and activities, recommending ways for these agencies to carry out their respective responsibilities in the most effective, efficient, and economical manner possible.

All OIG operations are located in the Washington, D.C., area, although OIG staff conduct their work at Department and BBG locations worldwide. In June 2006, OIG implemented an organizational change with the addition of a second Deputy Inspector General position to provide better oversight of OIG products and services. OIG's mission is carried out by four functional offices (Audits, Information Technology, Inspections, and Investigations) and the Office of the Executive Director for internal operations, as well as four advisory and support units (Office of Counsel, Senior Advisor for Security and Intelligence, Iraq/Afghanistan Coordinator, and Congressional and Public Affairs).

The Government Performance and Results Act of 1993 requires agencies to submit annual performance reports detailing their success in achieving the goals and measures in their annual performance plans. As the independent oversight body for the Department of State and the BBG, OIG has its own vision, mission, strategic goals, and performance goals, measures, and targets. OIG does not implement foreign policy, provide security, manage financial and administrative operations, or ensure accountability. Through its oversight, however, OIG works to ensure that the Department and BBG do better at these factors and all facets of their operations and activities.

OIG Impact: Achieving Results

OIG has established a separate but complementary set of strategic goals that are expressed in terms of the impact of its work in ensuring the efficiency, effectiveness, and integrity of programs and initiatives that are critical to achieving Department and BBG strategic objectives. OIG's performance plan also includes an internal management excellence goal focused on promoting staff excellence and improving internal processes and products. The majority of OIG's activities directly support the Department's strategic objective to "Strengthen Diplomatic and Program Capabilities" and the strategic goal of "Management Excellence," although OIG's work also supports many other Department and BBG strategic goals. OIG's measures of success are based on the premise that the ability of the Department and BBG to achieve their goals and missions is enhanced by OIG's efforts to objectively review their programs and activities, identify deficiencies and vulnerabilities, and recommend corrective actions. The outcomes of OIG's work are most evident in the actions taken by the Department and BBG in response to audit and inspection recommendations and investigations.

<i>OIG Strategic and Performance Goals</i>	
<i>Strategic Goal (SG)</i>	<i>Performance Goal (PG)</i>
<i>SG1: The Department and the BBG effectively, efficiently, and economically advance the foreign policy interests of the United States</i>	PG1: Improve the operations of overseas missions, domestic bureaus, and international broadcasting activities through inspections, audits, and program evaluations
<i>SG2: The Department and the BBG adequately protect the people, information, and facilities under their control in the United States and abroad</i>	PG1: Assess security for personnel, facilities, and information at Department and BBG facilities worldwide and ensure that necessary corrective actions are implemented
<i>SG3: The Department and the BBG have the necessary systems and controls to meet legal and operational requirements</i>	PG1: Identify vulnerabilities in Department and BBG financial and administrative support programs and recommendations to improve them
	PG2: Evaluate Department and BBG progress in addressing priority issues such as the Secretary's management priorities, major management challenges, high-risk areas, performance measurement, and the President's Management Agenda
<i>SG4: The Department and the BBG ensure accountability and prevent or eliminate fraud, waste, abuse, and mismanagement in programs and operations</i>	PG1: Identify potential monetary and non-monetary benefits resulting from audit, inspection, program evaluation and investigative findings concerning fraud, waste, abuse, and mismanagement; and improve the efficiency of Department operations and compliance with applicable contract and grant agreements
	PG2: Promote professional and ethical conduct and accountability, and investigate fraud, waste, abuse, and mismanagement
<i>Management Excellence</i>	PG1: Ensure that employees have the professional skills and expertise necessary to fulfill OIG mission and goals
	PG2: Continuously improve OIG products and processes for maximum impact in meeting customer needs

Resources Supporting Strategic Goals

OIG strategic goals were supported by a FY 2006 appropriation of \$29.65 million, and a supplemental appropriation of \$1.3 million to conduct oversight work related to post-conflict stabilization and reconstruction in Iraq and Afghanistan.¹ Funding issues and recruitment problems limited OIG's on-board staffing to an average of 182 employees during FY 2006. Allocation of resources to OIG's strategic goals is summarized below.

<i>Allocation of Resources to Strategic Goals</i>				
<i>Strategic Goal</i>	<i>Appropriation</i>	<i>% of Appropriation</i>	<i>Number of Staff</i>	<i>% of Staff</i>
SG1: Foreign Policy	\$9.1 million	31%	47	26%
SG2: Security	\$5.7 million	19%	35	19%
SG3: Financial Management	\$7.9 million	27%	52	29%
SG4: Accountability	\$6.9 million	23%	48	26%

¹ The supplemental appropriation for FY 2006-07 was received too late in the fiscal year to be expended in support of FY 2006 activities. It will be allocated against OIG's FY 2007 activities and performance results.

OIG's appropriation has been essentially flat since the mid-1990s, while the Department's overall appropriations have increased almost 126 percent. During this period, OIG's appropriation, as a percentage of the Department's appropriation, has decreased from nearly 0.6 percent to 0.35 percent.

Fiscal Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Appropriation (\$ millions)	\$27.33	\$27.50	\$27.50	\$28.50	\$27.38	\$28.43	\$29.00	\$29.97	\$31.40	\$30.00	\$29.65
Supplemental Appropriation (\$ millions)										\$1.69	\$1.30
% of Dept. Appropriation	.59%	.59%	.51%	.37%	.42%	.41%	.34%	.34%	.35%	.36%	.35%

Supplemental appropriations of \$1.69 million in FY 2005 and \$1.3 million in FY 2006 have helped provide oversight for programs in Iraq and Afghanistan. However, OIG still faces significant challenges in restoring oversight capabilities eroded by a decade of static appropriations. Continued growth in mandated oversight responsibilities, special Department and congressional requests, and new activities related to Iraq and Afghanistan further strain OIG's capabilities in an environment of increasing costs and declining resources. OIG will meet these challenges by actively making its case for the resources it needs to meet its oversight and investigative responsibilities while continuing efforts to use the resources it has more efficiently and effectively and by continuing to reengineer its internal processes and procedures to improve efficiency and effectiveness and increase productivity.

PERFORMANCE SUMMARY AND HIGHLIGHTS

Overall, OIG achieved 60 percent of its FY 2006 performance targets, with some results substantially exceeding targets. These included the measures for actual recoveries or monetary benefits and potential savings identified, which exceeded the target by 268 percent, and for audit return on investment, which exceeded the target by 72 percent. Two-thirds of the targets not achieved involved delays in reaching management agreement on OIG recommendations. Most of the performance shortfalls experienced in FY 2006 were the result of funding issues and staffing shortages. These reduced OIG's ability to staff projects and positions responsible for addressing timely management decisions on OIG recommendations. Streamlined procedures and more efficient use of resources, along with aggressive new recruitment efforts, should enable OIG to better meet its future targets and to achieve those not met in FY 2006.

Most Significant Accomplishments and Expected Future Results

During FY 2006, OIG findings and recommendations prompted the Department and BBG to take actions that produced significant results or laid the foundation for expected future results to improve the effectiveness, efficiency, and economy of their programs and operations. During its review of the rule-of-law programs in Iraq, OIG identified approximately \$400 million in related spending by multiple agencies and made recommendations to establish an overarching strategic plan for Embassy Baghdad's rule-of-law programs. A joint survey with SIGIR resulted in recommendations to strengthen Iraqi anticorruption programs and provide support and guidance for Iraqi efforts to establish a training facility for anticorruption personnel. Other accomplishments included: improved procedures designed so that only American citizens received U.S. passports; better protection of classified information and materials; improvements in the integrity and reliability of information and financial management systems; better accountability for Department employees, contractors, and grantees; identification of potential cost benefits; and reduced fraud and other violations of law and regulation. OIG's performance results, and highlights of OIG's most significant accomplishments and expected future results from OIG recommendations, are summarized below by strategic goal.

Strategic Goal 1: Foreign Policy

The Department and the BBG effectively, efficiently, and economically advance the foreign policy interests of the United States

The Department's success in achieving U.S. foreign policy goals is influenced by the effective management and efficient and economical operation of overseas missions, domestic bureaus, and international broadcasting entities. OIG is mandated by the Foreign Service Act of 1980, as amended, to assess the effectiveness of foreign policy implementation. Through a program of post and bureau management inspections, OIG evaluates whether policy goals and objectives are being achieved, U.S. interests are effectively represented, and posts are operating in consonance with U.S. foreign policy. OIG also reviews and evaluates operations and programs with foreign policy implications, including consular operations, export controls, border security, and international broadcasting.

KEY ACCOMPLISHMENTS AND EXPECTED FUTURE RESULTS RESPONSE TO OIG REPORTS AND INVESTIGATIONS	IN
<ul style="list-style-type: none"> ➤ Expected improvements to U.S. mission operations in Iraq and Afghanistan, resulting from recommendations to: <ul style="list-style-type: none"> ○ Establish an over-arching strategic plan for Embassy Baghdad's rule-of-law programs, strengthen the Embassy's coordinating role, and increase Iraqi participation in project development ○ Strengthen Iraqi anticorruption programs by increasing Embassy Baghdad's oversight and coordination of the embassy's interagency working group, establishing a strategy for U.S. advisors and trainers to bridge gaps between Iraqi anticorruption institutions, and supporting a training facility for Iraqi anticorruption personnel ○ Promote less dependence by the Afghan Government on the U.S. for policy guidance and improve the structure of the 23 civil-military Provincial Reconstruction Teams ➤ Improvements to international broadcasting efforts in the Global War on Terror, and greater coordination within the Department on public diplomacy matters ➤ Corrective action by the Department to improve border security by addressing consular vulnerabilities identified by OIG that could be exploited by terrorists ➤ Actions contributing to Department efforts in implementing transformational diplomacy with respect to the Middle East Partnership Initiative 	

<i>Performance Goal: Improve the operations of overseas missions, domestic bureaus, and international broadcasting operations through inspections, audits, and program evaluations</i>						
Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2006 Target	% above or below target
Missions and bureaus inspected	49	50	50	33 ²	31	+7%
Reports issued on systemic/ regional/policy issues and programs	10	10	15	10	12	-17%
Results for issuing reports on systemic/regional/policy issues were below targeted performance levels and FY 2005 results because of the need to shift resources to support special requests and other priority work, as increased costs and reductions in staff severely strained operations.						

² Updated as of 11/30/06.

Recommendations resolved within 6 months	72%	89%	78%	65%	80%	-19%
Significant recommendations resolved within 6 months	50%	76%	80%	47%	80%	-41%
Results for resolving recommendations were substantially below targeted performance levels and FY 2005 results. The need to shift resources supporting compliance efforts to other important work, due to significant unanticipated increases in travel costs and reductions in staff, impeded OIG's ability to ensure that the Department and BBG responded in a timely fashion.						

Strategic Goal 2: Security

The Department and the BBG adequately protect the people, information, and facilities under their control in the United States and abroad

With the continuing threat of terrorism and regional instability in the post-9/11 environment, the security of U.S. personnel, facilities, and information remains an issue of overriding importance in terms of personal and national security and the billions of dollars appropriated annually to protect them. OIG security and information security inspections and audits play an essential role in identifying and making recommendations to address security vulnerabilities that could compromise national security and threaten the safety and well-being of U.S. personnel and facilities domestically and abroad.

KEY ACCOMPLISHMENTS AND EXPECTED FUTURE RESULTS IN RESPONSE TO OIG REPORTS AND INVESTIGATIONS

- Improved perimeter security at vehicle access points to overseas missions
- Improvements in emergency preparedness at BBG domestic facilities
- Immediate security improvements and potential cost avoidances for the new embassy construction project in Beijing, China
- Expedited assignment of a full-time security officer to a critical-threat post that was supported only by temporary security personnel
- Improvements in Department IT operations, including implementation of a process to allow regional technicians access to diagnostic tools to troubleshoot and resolve problems in a more timely manner
- Corrective action by the Department to improve its "patch management" program so that the most current patches are installed on IT systems to prevent the exploitation of security vulnerabilities
- Elimination of a backlog of over 200 requests from embassies for Dedicated Internet Network waivers, which had caused embassy websites to operate without proper approval, or to not operate at all

Performance Goal: Assess security for personnel, facilities, and information at Department and BBG facilities worldwide, and ensure that necessary corrective actions are implemented

Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2006 Target	% above or below target
Reports issued on security programs	7	9	16	23 ³	14	+64%
Recommendations resolved within 6 months	90%	75%	72%	68%	80%	-15%
Significant recommendations resolved within 6 months	93%	9%	80%	71%	80%	-11%
Results for resolving recommendations were below targeted performance levels and FY 2005 results. The need to shift resources supporting compliance efforts to other important work, due to significant unanticipated increases in travel costs and reductions in staff, impeded OIG's ability to ensure that the Department and BBG responded in a timely fashion.						

³ Updated as of 11/30/06.

Strategic Goal 3: Financial Management and Administrative Support

The Department and the BBG have the necessary systems and controls to meet legal and operational requirements

A significant portion of the foreign affairs budget is devoted to developing, maintaining, and securing the infrastructures—including physical facilities, information systems, financial management, grants management, procurement, personnel systems, and administrative support services—that underlie and support the Department’s operations and provide a base for the conduct of U.S. foreign policy. This strategic goal comprises many of the operations encompassed within the Department’s strategic objective to strengthen diplomatic and program capabilities and its strategic goal to achieve management and organizational excellence. OIG audits, inspections, and program evaluations assess these operations to evaluate whether established goals and objectives are achieved and resources are used economically and efficiently; to assess whether results are consistent with laws, regulation, and good business practice; and to test financial accountability and the reliability of financial statements.

KEY ACCOMPLISHMENTS AND EXPECTED FUTURE RESULTS IN RESPONSE TO OIG REPORTS AND INVESTIGATIONS
<ul style="list-style-type: none"> ➤ Development of an airline travel self-assessment tool for bureaus to use to determine compliance with air travel policies ➤ Improved financial management and administrative support resulting from recommendations to: <ul style="list-style-type: none"> • Strengthen controls at the Global Financial Services Center in Charleston • Improve controls over the tracking and reporting of aircraft and parts inventories, which were underreported in the Department’s FY 2004 financial statements by \$162 million • Establish a quality assurance function in the Office of Medical Services, improve compliance with the Health Insurance Portability and Accountability Act, and realize cost savings by outsourcing specific medical functions

<i>Performance Goal 1: Identify vulnerabilities in Department and BBG financial and administrative support programs and recommendations to improve them</i>						
Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2006 Target	% above or below target
Reports issued on programs reviewed	21	42	36	35 ⁴	24	+46%
Recommendations resolved within 9 months	59%	86%	67%	70%	80%	-13%
Results for resolving recommendations were below targeted performance levels, but substantially above FY 2005 results. During FY 2006, this measure was restated from 6 months to 9 months, in recognition of the longer timeframe required to implement many audit recommendations, and the target level was increased from 68 percent to 80 percent. This ambitious increase, combined with a reduction in resources, resulted in OIG missing a target that it would have met at last year’s level.						
Significant recommendations resolved within 9 months	53%	63%	60%	80%	85%	-6%
Results for resolving recommendations were below targeted performance levels, but more than two and a half times OIG’s FY 2005 results. During FY 2006, this measure was restated from 6 months to 9 months, in recognition of the longer timeframe required to implement many audit recommendations, and the target level was increased from 50 percent to 85 percent. This ambitious increase, combined with a reduction in resources, resulted in OIG missing a target that it would have significantly exceeded at last year’s level.						

⁴ Updated as 11/30/06.

Performance Goal 2: Evaluate Department and BBG progress in addressing priority issues such as the Secretary's management priorities, major management challenges, high-risk areas, performance measurement, and the President's Management Agenda

Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2006 Target	% above or below target
Percent of major management challenges addressed in OIG reports	N/A	N/A	100%	100%	80%	+25%

Strategic Goal 4: Accountability

The Department and the BBG ensure accountability and prevent or eliminate fraud, waste, abuse, and mismanagement in programs and operations

All government employees must conform to fundamental guiding principles governing professional and ethical conduct, as defined in law, executive order, regulation, policy, and procedure, as well as personal and management accountability. OIG promotes accountability and integrity in Department programs and operations through audits of selected grantees and contractors to determine whether the organizations expended federal funds for the intended purpose of the agreement and in accordance with applicable federal laws and regulations related to the agreement terms and conditions. OIG also is mandated to prevent and detect waste, fraud, and mismanagement. Specific allegations or other information indicating possible violations of law or regulation are investigated by OIG criminal investigators, supported by experts from other OIG offices, as appropriate. In addition, OIG proactively educates and shares best practices with targeted audiences—including new ambassadors, deputy chiefs of mission, and Foreign and Civil Service employees—to improve adherence to standards of accountability by ensuring that employees of the foreign affairs agencies are informed of and understand the standards specific to their professional and ethical conduct.

KEY ACCOMPLISHMENTS AND EXPECTED FUTURE RESULTS

- Identification of questioned costs, recoveries, or funds put to better use totaling \$31.3 million: \$11.9 million from audit work, \$4.3 million in investigative recoveries, and \$15.1 million from inspections, including the reallocation of \$15 million from inactive projects at Embassy New Delhi to fund joint scientific research with India
- Convictions, sentencing, suspension, and other actions against employees and other individuals who committed crimes against the Department
- Development by the Department of a fraud-prevention “tool kit” for consular operations
- Termination of a warehouse lease by the Department, and the transfer of other administrative activities to the regional center in Singapore
- BBG actions to begin centralizing its management of overseas transmitting stations

Performance Goal 1: Identify potential monetary and non-monetary benefits resulting from audit, inspection, program evaluation and investigative findings concerning fraud, waste, abuse, and mismanagement; and improve the efficiency of Department operations and compliance with applicable contract and grant agreements

Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2006 Target	% above or below target
Return on investment for audits	\$1.29	\$1.26	\$5.01	\$2.06	\$1.10	+72%
Value of cost savings, efficiencies, recoveries, and fines	\$13.0 million	\$6.8 million	\$31.5 million	\$31.3 million	\$8.6 million	+268%

Performance Goal 2: Promote professional and ethical conduct and accountability; and investigate fraud, waste, abuse, and mismanagement

Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2006 Target	% above or below target
Number of activities focused on key vulnerabilities	N/A	N/A	27	37	28	+32%
Percentage of reports of investigation issued within 6 months	N/A	N/A	100%	86%	70%	+23%
Investigations focused on management challenges	N/A	N/A	N/A	100%	65%	+54%
Percent of complaints—not investigated by OIG—referred to outside agencies within 21 days	N/A	N/A	N/A	86% ⁵	85%	+1%

Internal Goal: OIG Management Excellence

In addition to the performance goals supporting OIG’s four strategic goals, OIG has established an internal management excellence goal and two internal performance goals designed to ensure that it has the people it needs and that its work results in timely products. These and several other initiatives related to internal management improvements are directed toward ensuring that OIG operations are efficient, effective, and well-structured to achieve OIG’s core statutory mission.

Performance Goal 1: Ensure employees have the professional skills and expertise necessary to fulfill OIG mission and goals.

Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2006 Target	% above or below target
Percentage of GS-13 to GS-15 employees and Foreign Service equivalents completing required Department leadership training	N/A	N/A	77%	84%	80%	+5%

⁵ Followup verification of OIG performance data reported in the State Department’s FY 2006 Performance Accountability Report found that data collection errors originally resulted in underreporting the performance results for this measure (86% vs. 69%).

Performance Goal 2: Continuously improve OIG products and processes for maximum impact in meeting customer needs						
Measure	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2006 Target	% above or below target
Average number of days from start to issuance for inspection reports and program reviews	256	182	188	171	180	+5%
Average number of days from start to issuance for audit reports	341	284	230	234	215	-9%
Results for issuance of audit reports were below targeted levels, and just slightly below FY 2005 performance levels, due in large part to staffing problems that delayed issuance of several reports. However, much of the shortfall in FY 2006 resulted from a reduction of 25 days from the FY 2005 target of 240 days—a level which would have placed OIG well within the performance target for this measure. Recruitment and training efforts are underway to address these staffing shortfalls.						

Comparison of FY 2006 Results with Those of Prior Years

In FY 2006, 60 percent of OIG’s performance results met or exceeded performance targets. This represents a reduction in performance from FY 2005, when 68 percent of results met or exceeded performance targets. Nevertheless, about 44 percent of the FY 2006 results exceeded FY 2005 results. OIG’s most successful results were under its strategic goal for Accountability, where it exceeded targets for five out of six measures, and the internal goal to support management excellence, where it exceeded two-thirds of its targets.

Unmet Targets and Reasons for Performance Shortfalls

OIG did not meet eight of its 20 targets in FY 2006. Six of the missed targets related to obtaining Department or BBG agreement with OIG recommendations within set timeframes. These measures fell short, in some cases significantly so, because funding issues and staffing shortages resulted in a substantial cut in resources devoted to addressing compliance with OIG recommendations. These cuts also affected OIG’s ability to meet four of the six targets not met in FY 2005, which it had hoped to achieve in FY 2006. OIG expects to achieve or exceed these targeted levels in FY 2007 by putting additional emphasis and human resources toward obtaining timely Department and BBG agreement with OIG recommendations.

The two remaining targets missed in FY 2006 related to the number of reports issued on systemic/regional/policy issues and programs and the number of days required to issue final audit reports in accordance with government auditing standards. Staffing problems and competing priorities required OIG to refocus its planned activities, resulting in a slight shortfall in the number of systemic reports issued and a slight increase in the time required to issue audit reports.

Of the remaining two targets not met in OIG’s FY 2005 Performance Report, one—average number of days to produce an inspection report—was exceeded in FY 2006. The final target, involving completion of a customer survey, was dropped based on a determination that the cost of conducting the survey would substantially outweigh the expected benefits, and would not be the best use of limited OIG resources.

Verification and Validation

The performance data in OIG's FY 2006 Program Performance Report meets the standards for reliability contained in Office of Management and Budget Circular A-11. Information from systems used to track OIG performance data is reviewed and verified periodically throughout the year and is considered adequately reliable for decision-making and reporting under the Government Performance and Results Act. Performance indicators are verified in ways appropriate for each indicator:

- Each Assistant Inspector General attests to the accuracy and completeness of the data related to his or her respective office's activities and results, and staff from OIG's Office of Executive Director audit the data used in this report to verify its completeness and accuracy.
- Some indicators, including those related to completion of a review or other specific activity, are self-measuring and require little verification and validation, beyond confirmation that the activity has been completed satisfactorily.
- Indicators involving recommendations resolved are based on compliance information tracked in OIG's Compliance Analysis Tracking System (CATS), which allows OIG to analyze progress and trends in the resolution and implementation of OIG recommendations. The status of recommendations is verified monthly with Department and BBG offices responsible for addressing the recommendations and with OIG offices responsible for evaluating and tracking compliance with them.
- Financial indicators are based on the mandated measures for audit and investigative operations set forth in the Inspector General Act. The figures are based on results provided by the responsible offices, which are tracked in CATS and reported in the Semiannual Report (SAR) to the Congress and the Annual Report of the President's Council on Integrity and Efficiency (PCIE).
- Performance data for investigative measures are tracked in OIG's Case Management System and reported in the SAR and the Annual Report of the PCIE.
- For internal performance goal indicators, the percentage of OIG staff meeting leadership training requirements is based on information provided by the Foreign Service Institute and verified against OIG staffing and training records. The average number of days from project start to product issuance and the percentage of projects completed within a set number of days are based on data in the Project Tracking System and OIG Timesheet System, which is verified by documentation and periodic supervisory reviews, as appropriate.

OIG's performance indicators measure a combination of outputs (missions, bureaus, programs, and activities inspected or audited and reports issued) and interim outcomes (recommendations resolved, potential monetary savings, reports of investigations issued) that are based, to a large extent, on measures mandated for OIGs under the Inspector General Act. These goals and measures are based on the premise that the ability of the Department and BBG to achieve their own strategic goals and objectives is enhanced by OIG's objective reviews of the agencies' component entities, programs, and activities. Reports issued and recommendations resolved are considered to be proxies for actions taken to identify vulnerabilities and recommend corrective actions that result in improved programs and operations. As such, they represent valid measures of OIG's progress in meeting its strategic and performance goals.

Changes to FY 2007 Goals, Indicators, and Targets

OIG is reviewing its performance plan, indicators, and targets in light of its likely FY 2007 appropriation, FY 2006 results, changing world conditions, and rising costs. Some indicators have been added, modified, or dropped, in keeping with OIG's ongoing effort to strengthen its indicators and targets, enhance their consistency, and eliminate those that are not cost-beneficial to measure. Additional changes may be made as OIG finalizes its FY 2008 performance budget.

For **Strategic Goal 3** (Financial Management and Administrative Support), two indicators and corresponding targets were changed beginning in Fiscal Year 2006:

- ***Percentage of recommendations resolved:*** The timeframe for resolution of audit recommendations was changed from 6 months to 9 months, and the target for the percentage resolved was revised from 68 percent to 80 percent in 2006, and to 85 percent in 2007 and beyond.
- ***Percentage of significant recommendations resolved:*** The timeframe for resolution of significant audit recommendations was also changed from 6 months to 9 months, and the target for percentage resolved was revised from 50 percent to 80 percent in 2006, and to 85 percent in 2007 and beyond.

These changes were made to enhance the consistency of OIG's targets for resolving recommendations. The timeframe changes necessitated restatement of prior years' results.

For **Strategic Goal 4** (Accountability), two new indicators were added in 2006, and one will be dropped in 2007. The two new indicators in 2006 were:

- The percentage of investigations that focus on Department and BBG management challenges; and
- The percentage of complaints—not investigated by OIG—that were referred, as appropriate, to another agency within 21 days.

The indicator identifying the number of activities to strengthen accountability will be dropped, beginning in 2007, due to inherent weaknesses in quantifying and verifying the data.

A performance measure to support OIG's internal management goals, originally planned for 2006, also was dropped. This indicator—percentage of customers rating OIG work as having a significant impact in improving operations—was dropped based on a determination that the time and cost of conducting the survey would exceed the benefits to be derived from the survey.

Performance Evaluations

No formal program evaluations of OIG operations were completed during FY 2006, although a congressionally requested Government Accountability Office review of OIG operations was begun and continued underway at the end of the fiscal year. A peer review of the Office of Audits is scheduled for FY 2007.

List of Abbreviations

BBG	Broadcasting Board of Governors
AUD	OIG Office of Audits
CATS	Compliance Analysis Tracking System
Department	Department of State
FISMA	Federal Information Security Management Act
FY	Fiscal Year
IT	Information technology
OIG	Office of Inspector General
PCIE	President's Council on Integrity and Efficiency
PG	Performance goal
SAR	Semiannual Report to the Congress
SG	Strategic goal
U.S.	United States

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