



OIG Office of Inspector General
U.S. Department of State • Broadcasting Board of Governors

**“OVERSIGHT OF THE DEPARTMENT OF STATE AND
FOREIGN OPERATIONS PROGRAMS”**

**STATEMENT BY
STEVE A. LINICK**

**INSPECTOR GENERAL FOR THE U.S. DEPARTMENT OF STATE
AND THE BROADCASTING BOARD OF GOVERNORS**

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

**UNITED STATES HOUSE
OF REPRESENTATIVES
MARCH 9, 2017**

Chairman Rogers, Ranking Member Lowey, and Members of the Subcommittee, thank you for inviting me to testify today regarding the work of the Office of Inspector General (OIG) for the Department of State (Department) and the Broadcasting Board of Governors (BBG). We appreciate the Subcommittee's interest in and support of OIG's work.

Today, I will highlight some of our recent work, including our oversight of top management challenges facing the Department. I will also discuss OIG initiatives, the impact of our work, and some of our upcoming projects.

I. STATE OIG'S MISSION AND OVERSIGHT EFFORTS

It is my honor to have led the State OIG for the last three and a half years, and I am pleased to have this chance to discuss our work.

OIG's mandate is extensive and requires us to oversee both Department and BBG programs and operations, which include more than 70,000 employees and over 270 overseas missions and domestic entities. These agencies are funded through combined annual appropriations, fees, and other income of more than \$43 billion. Moreover, one important difference between State OIG and most other OIGs is that we are statutorily required to periodically inspect and audit every domestic and overseas operating unit around the world.

In recent reports, we have identified some of the top management challenges that the Department faces. Today, looking primarily but not exclusively at FY 2016, I will focus on the protection of people and facilities, the security of sensitive information around the world, and the management of contracts and grants. These three issues represent a significant part of our work. Throughout this discussion, I will note how these concerns intersect with systemic issues at the Department relating to program management, accountability, and coordination.

Protecting People and Facilities

One of OIG's top priorities is protecting those who work for the Department around the world. OIG has always inspected physical security at overseas posts, but, since the September 2012 attacks on U.S. diplomatic facilities and personnel in Benghazi, Libya, we are expending additional resources on this critical issue. In 2015 alone, personnel and property experienced attacks in Bangladesh, Burundi, Canada, Central African Republic, Iraq, Mali, the Philippines, South Korea, Timor-Leste, Turkey, and Yemen.¹ These incidents included grenade attacks at embassy residences, car bombs detonated in front of consulate facilities, and the non-fatal stabbing of the U.S. Ambassador to South Korea at an official event.

Although the Department has made improvements in overseas safety and security, challenges remain. Through our inspection and audit work, OIG continues to find deficiencies that put our

¹ Department of State, *Bureau of Diplomatic Security Year in Review 2015* (June 2016).

people at risk. Given the sensitive nature of OIG's work in this area, many of the reports related to safety and security are classified, and my testimony today will be based solely on information that is publicly available.

Our work has uncovered physical security deficiencies at overseas facilities. Physical security relates to physical measures—such as locked doors, perimeter fences, and other barriers—that are intended to protect against unauthorized access and to safeguard personnel working in those facilities.² We have found that systemic issues in the Department contribute to our concerns about these physical security measures. In particular, we have identified a lack of coordination between the Bureau of Overseas Building Operations (OBO) and the Bureau of Diplomatic Security (DS), both of which have responsibilities in this area. We have also emphasized the Department's inability to track and prioritize physical security needs, and, in a December 2015 report, we concluded that, until the Department fully implements OIG's recommendations intended to improve the process to request and prioritize physical security needs, it will be unable to identify and address all physical security-related deficiencies. Moreover, without taking such steps, the Department will be unable to make informed funding decisions based on a comprehensive list of physical security needs.³

Another area of focus has been emergency action plans. These plans and associated processes are important because planning and preparation can make the difference between life and death in a crisis situation. Our most recent report on this subject is classified,⁴ but, more generally, during FY 2016, OIG identified several issues with the Department's overall emergency action planning and preparedness. For example, in a report published in February 2016, OIG found that chiefs of mission were unaware of the U.S. military assets available during emergency situations.⁵ Without this information, embassies and consulates cannot properly plan for emergencies and may be hindered in their responses to actual crises. OIG also concluded that consular sections in several posts that it inspected in 2016 were unfamiliar with their roles and responsibilities leading up to and during a crisis.⁶ OIG also found that emergency action plans were out of date, lacked key information, included erroneous points of contact, or were improperly certified by leadership.⁷ Without adequate staff training and a properly documented and tested emergency action plan, embassies and consulates cannot effectively mitigate the risks that a disaster or unforeseen incident poses to its operations.

² OIG, *Compliance Follow-up Audit of the Process to Request and Prioritize Physical Security-Related Activities at Overseas Posts* (AUD-ACF-16-20, December 2015).

³ *Ibid.*

⁴ OIG, *Audit of Emergency Action Plans for U.S. Embassy Tunis* (AUD-MERO-17-27) (classified).

⁵ OIG, *Inspection of Bureau of Diplomatic Security, Directorate of International Programs* (ISP-I-16-07, February 2016).

⁶ OIG, *Inspection of Embassy Kinshasa* (ISP-I-16-19A, June 2016); OIG, *Inspection of Embassy Cairo* (ISP-I-16-15A, April 2016).

⁷ OIG, *Inspection of Embassy Kinshasa* (ISP-I-16-19A, June 2016); OIG, *Inspection of Embassy Cairo* (ISP-I-16-15A, April 2016); OIG, *Inspection of Bureau of Energy Resources* (ISP-I-16-06, February 2016).

Health and safety concerns were a recurring theme in OIG's FY 2016 reports and in the reports we have published so far in FY 2017. Our work in these areas covered a wide range of risks. For example, OIG found deficiencies in seismic risk mitigation in embassy residences⁸ and a lack of occupational safety and health approvals to ensure that hazards are addressed before overseas housing is occupied.⁹ One of our recent inspections noted that no earthquake drill or training had taken place for over a year even though the post was in a location at a high risk for earthquakes.¹⁰ In another recent report, OIG identified health and safety concerns related to armored vehicle disposals.¹¹ OIG concluded that, although the Department has guidance addressing the safety and health of Department employees and contractors, DS, which is responsible for developing specific standards for armored vehicle disposal, has not incorporated relevant standards into guidance to ensure that these disposals are performed safely. Moreover, several audited posts that used contractors to dispose of armored vehicles did not incorporate required health and safety clauses into relevant contracts.

Conducting oversight to protect people and facilities is one of OIG's most important functions. Consequently, we will continue to coordinate with the Department to bring security deficiencies and areas for improvement to its attention and offer recommendations to address these critical vulnerabilities. By conducting both our statutorily mandated inspections and targeted audits and evaluations, OIG helps safeguard the lives of people who work in or visit our posts abroad.

Information Security and Management

The Department depends on information systems and electronic data to carry out essential functions that are critical to its mission. The Department is entrusted with sensitive information, both classified and unclassified. The security of these systems is vital to protecting national and economic security, public safety, and the flow of commerce.¹² According to the Office of Management and Budget, the Department has spent several billion dollars in the past 5 years on software tools, IT equipment, and professional expertise. However, given the complexity and sensitivity of the Department's IT apparatus and the security breaches it has experienced, IT security and management continues to be a significant management challenge.

In FY 2016, OIG reported weaknesses in the Department's cybersecurity incident response and reporting program.¹³ The Department's efforts to respond to incidents (including denial-of-service, malicious code, and unauthorized access) showed that it had not complied with its own information security policies in more than 55 percent of the incidents that OIG reviewed.

⁸ OIG, *Inspection of Embassy Tashkent* (ISP-I-16-12A, March 2016); OIG, *Inspection of Embassy Ashgabat* (ISP-I-16-13A, March 2016).

⁹ OIG, *Inspection of Embassy Kinshasa* (ISP-I-16-19A, June 2016).

¹⁰ OIG, *Inspection of Embassy Rangoon* (ISP-1-17-05A, January 2017).

¹¹ OIG, *Management Assistance Report: Health and Safety Concerns Identified Related to Armored Vehicle Disposals* (AUD-SI-17-20, January 2017).

¹² OIG, *Audit of the Department of State Information Security Program* (AUD-IT-16-16, November 2015).

¹³ OIG, *Management Assistance Report: Department of State Incident Response and Reporting Program* (AUD-IT-16-26, February 2016).

OIG also found network user account management to be another cybersecurity vulnerability. In a management assistance report on the Department's Active Directory, OIG determined that 74 percent of more than 2,500 inactive accounts were inactive for more than 1 year, and the remaining accounts were inactive for greater than 90 days.¹⁴ This is a critical issue because, if an unneeded account remains active, an intruder could gain access to sensitive information that could compromise the integrity of the Department's network and cause widespread damage across its IT infrastructure. This problem exists, in part, because the Department does not have a centralized process for Active Directory account management. This issue is exacerbated by two other issues that we reported. First, the Department's Chief Information Officer, the head of the Bureau of Information Resource Management (IRM), is not properly positioned within the organization to ensure that the Department's information security program is effective. Second, the Department has not implemented a risk management strategy to identify, assess, respond to, and monitor risk.

As in prior years, OIG's annual assessment of the Department's Information Security Program identified numerous control weaknesses that significantly affected program effectiveness and increased the Department's vulnerability to cyberattacks and threats.¹⁵ OIG has reported that the Department lacks effective risk management for all phases of the system development lifecycle.¹⁶ These problems persist. For example, in the October 2015 inspection of IRM's Vendor Management Office (VMO), OIG found that VMO did not consistently implement the system that provides the framework for integrating IT project schedules. This inconsistency led to inadequate bureau coordination, incomplete project data, and limited visibility on projects, activities, and risk.

I view this management challenge as particularly significant because of the uniquely broad effect that information security program weaknesses have on the Department overall. For example, such weaknesses can affect the integrity of financial applications, which, in turn, increases risks that sensitive financial information could be accessed by unauthorized individuals, that financial transactions could be accidentally or intentionally altered, or more basically, that the Department will be unable to report financial data accurately.¹⁷

¹⁴ OIG, *Management Assistance Report: Inactive Accounts within the Department of State's Active Directory* (AUD-IT-16-37, June 2016).

¹⁵ OIG, *Audit of the Department of State Information Security Program* (AUD-IT-16-16, November 2015).

¹⁶ OIG, *Inspection of the Bureau of Information Resource Management, Operations, Vendor Management Office* (ISP-I-16-03, October 2015).

¹⁷ OIG, *Independent Auditor's Report* (AUD-FM-17-09, November 2016).

Oversight of Contracts and Grants

OIG has focused on oversight of contracts and grants, an area where the Department spends substantial resources. The Department's obligations in FY 2016 included approximately \$15.4 billion for contracted services and \$18.4 billion in grants and fixed charges.¹⁸ The Department faces continuing challenges managing its contracts, grants, and cooperative agreements, particularly as these vehicles become increasingly complex. The Department must ensure that contractors and grantees are appropriately selected, work is properly conducted and monitored, objectives of the grant or contract are achieved, and costs are effectively contained. As with ensuring the safety of its personnel, management of grants and contracts is especially challenging in conflict areas, which present unique obstacles to effective oversight.

Although the Department has addressed some problems, weaknesses continue to occur in other areas. In FY 2016, OIG issued several management assistance reports addressing the Department's oversight of contracts and grants, and OIG's Office of Investigations opened more than 30 cases related to contract and procurement fraud.

In FY 2016 and 2017 reports, OIG identified issues with effective management of high-value, critical contracts. In several reviews, inspectors and auditors noted that routine contract management tasks (such as validating performance metrics to assess contractor performance, maintaining complete and accurate procurement files, conducting proper invoice review, and modifying contracts) failed to comply with Department guidance and Federal regulations.

Audits of contracts in Iraq revealed millions of dollars in questioned and unsupported costs and unallowable fees. For example, a recent audit that focused on fuel acquisition and related services found that the Department did not require the contractor to implement a required fuel inspection system and, as a result, the contractor did not confirm that fuel purchases were of the quality required by the contract. OIG questioned costs of \$64 million associated with fuel purchases. OIG also concluded that many of the problems were connected with a failure to nominate personnel with the contract experience and technical expertise necessary to conduct oversight of this complex, high-value contract.¹⁹

With regard to grants, OIG audits and inspections identified the need for improved management and monitoring of grantees. For example, in an audit of Bureau of Political-Military Affairs (PM) grantees,²⁰ OIG reported that \$2.8 million of \$15.8 million in grant expenditures were unsupported or unallowable. OIG reported that these questioned costs occurred, in part, because PM's grant monitoring process was not designed to prevent or detect unallowable and unsupported costs. In particular, PM did not independently verify that all award recipients had

¹⁸ Department of State, *Agency Financial Report (Fiscal Year 2016)*.

¹⁹ OIG, *Audit of the Oversight of Fuel Acquisition and Related Services Supporting Department of State Operations in Iraq* (AUD-MERO-17-16, December 2016).

²⁰ OIG, *Audit of the Bureau of Political-Military Affairs Federal Assistance Awards* (AUD-SI-16-49, September 2016).

sufficient financial management controls in place to prevent unsupported and unallowable costs.

As with the Department's other challenges, the problems associated with contracts and grants are frequently connected to a lack of emphasis on program management and accountability. These particular problems are also caused by inadequate staffing and training, especially with respect to oversight of complex, high-value contracts and grants. Many Foreign Service personnel are assigned management of contracts and grants as a collateral duty and do not receive necessary training. In addition, most Foreign Service employees rotate in and out of posts frequently, and some assignments are as short as one year. As a result, many large grants and contracts have multiple employees overseeing them, which leads to a lack of both continuity and accountability.

Priority OIG Recommendations

OIG issues recommendations on a variety of issues. Many are specific to particular posts or particular programs, but other recommendations address more systemic issues that have the potential to improve the Department's overall operations. We believe that the following recommendations, all of which have been previously issued by OIG and suggest changes in the Department's processes, would go far in addressing the most important management challenges.

With respect to physical security, OBO and DS have overlapping responsibilities for crucial physical security issues. As described above, OIG recommended that they develop and implement formal, standardized processes to prioritize physical security needs. Doing so will allow the Department to prioritize, fund, and plan for security upgrades in a systematic, deliberate way.

With respect to IT, as also described above, OIG recommended that the Department implement a strategy to identify, assess, respond to, and monitor risk. Such a Department-wide approach would enable the Department to understand its current risk profile, identify opportunities to improve risk management, and communicate risk. On a closely related point, we recommend that the Department establish a system to better track foreign assistance. Doing so is critical to the Department's substantive mission: without such a system, it cannot make data-driven decisions, provide accurate information, or coordinate assistance with others.

Finally, with respect to contracts and grants, OIG recommended that the Department develop a document management system that includes complete guidance for maintenance of electronic files. Without a system that enables the Department to keep track of critical documents, the Department does not have a complete understanding of the nature of its contracts and grants, much less the terms of those agreements.

These recommendations are a particularly important consideration for the new Secretary, as addressing these problems will also help address specific deficiencies identified in individual reports.

II. OIG INITIATIVES

Over the past three and a half years, we have made a number of important internal changes, which allow us to use our limited resources more prudently and help us further improve our oversight of the Department and BBG.

First, soon after my arrival, we began to issue management assistance reports²¹ and management alerts²² (which I personally sign). So far, we have issued more than thirty-five of these documents, which alert senior Department leadership to significant issues that require immediate corrective action. For example, we recently issued a report, discussed previously, identifying health and safety concerns related to armored vehicle disposals.²³ Using the management assistance report format allowed us to bring these issues to the Department's attention quickly, without waiting for the conclusion of our overall work.

Second, we established the Office of Evaluations and Special Projects (ESP) in 2014. ESP complements the work of OIG's other offices by improving our capacity to focus on broad, systemic issues. ESP is also an integral part of our expanded efforts to meet the requirements of the Whistleblower Protection Enhancement Act of 2012 and related statutes. In particular, ESP's whistleblower ombudsman has expanded our outreach and provided extensive information to Department and BBG employees, grantees, and contractors. ESP also is responsible for investigating allegations of administrative misconduct, as well as retaliation, under the pilot program for contractor and grantee employee whistleblowers.

Third, our work in connection with overseas contingency operations (OCO) is an important, well-integrated part of OIG's overall mission. Through a 2014 amendment to the Inspector General Act of 1978 (IG Act), Congress assigned the permanent IG community the responsibility for overseeing such operations. Since this change, three OCOs have been established: Operation Inherent Resolve (OIR), to degrade and defeat the forces of the Islamic State in Iraq and Syria; Operation Freedom's Sentinel (OFS), to work with Afghan forces to combat terrorism and assist the Afghan Government in building its security forces' capacity and self-sufficiency; and a now-completed OCO, Operation United Assistance, which supported international efforts to fight the

²¹ See, e.g., OIG, *Management Assistance Report: Contract Management – Lessons Learned From Embassy Kabul, Afghanistan, Operations and Maintenance Contract* (AUD-MERO-17-04, October 2016); OIG, *Management Assistance Report: Mandatory Disclosure Language in Department of State Grants and Assistance Agreements* (INV-15-02, December 2015).

²² See, e.g., OIG, *Management Alert: Information Security in the Worldwide Refugee Admissions Processing System* (MA-17-03, December 2016) (classified); OIG, *Management Alert: Broadcasting Board of Governors Significant Management Weaknesses* (MA-15-01, May 2015).

²³ OIG, *Management Assistance Report: Health and Safety Concerns Identified Related to Armored Vehicle Disposals* (AUD-SI-17-20, January 2017).

Ebola outbreak in Africa. I am the Associate Inspector General for the two ongoing OCOs, and our staff is working closely with the Department of Defense and USAID OIGs to oversee those operations. To improve these efforts, in 2016, I appointed an assistant inspector general for OCOs. In addition to working with the other agencies with oversight responsibility, our OCO staff coordinates closely with OIG's Offices of Audits, Inspections, and Investigations to make the most effective and efficient use of resources for OCO-related oversight. To date, our major oversight efforts have focused on auditing and evaluating bureaus, embassies, and programs that implement or support counter-ISIS activities. We have also emphasized contract and grant monitoring in contingency and high-threat environments. During FY 2016, OIG issued 31 oversight products related to OCOs, and we currently have more than 30 ongoing projects.

Fourth, in August 2016, OIG established its own IT network. Before we made this change, our IT infrastructure was part of the Department's own unclassified network, which meant that vulnerabilities in that network directly affected us. Moreover, the contents of our unclassified network could be easily accessed and potentially compromised, a situation that placed our independence at unnecessary risk and did not reflect best practices within the IG community.

Finally, we have adopted a new approach for our inspections. To target our resources most efficiently, we now use a risk-based model that considers a variety of factors, including the post's resources, size, threat profile, foreign assistance, funding, hotline complaints, and other factors. We believe that this model will allow us to shift our resources—both time and personnel—to focus on higher-risk posts that warrant increased oversight, tailor our inspections to the needs of specific posts, and, overall, conduct our inspections more efficiently and effectively.

III. IMPACT OF OIG'S WORK

Through our audits, evaluations, inspections, and investigations, OIG returns real value to U.S. taxpayers.

Since my arrival three and a half years ago, we have issued more than 375 reports. During this same period, we have identified more than half a billion dollars in questioned costs and taxpayer funds that could be put to better use. This amount includes the results of our criminal, civil, and administrative investigations, which led to more than \$85 million in monetary results, including fines, restitution, and recoveries.

OIG also embraces its mission to protect people and information, although these efforts rarely result in a monetary return on investment. By helping the Department improve its security, OIG's work helps safeguard the lives of people who work in or visit our posts abroad. Success in this area is not reflected in our financial statistics, but our security work is a source of immense pride because the Department's employees are, of course, its most valuable assets.

Our recent work on the Department's Armored Vehicle Program is a good example of the wide range of benefits—financial and otherwise—that can result from OIG's oversight efforts. Our February 2017 audit²⁴ concluded that DS did not effectively administer this program because it had not developed appropriate procedures and processes. Among a variety of other findings, our report concluded that 259 armored vehicles were left unused for almost a year; we also found that DS transferred 200 unused vehicles, valued at \$26.4 million, to other agencies without cost reimbursement. Five vehicles, valued at \$536,000, simply could not be located. This same project led to a management assistance report, which I noted previously, identifying health and safety risks to Department personnel and contractors associated with disposals of armored vehicles.²⁵ Finally, in January, the U.S. Attorney's Office for the District of Columbia announced the guilty plea of the manager of an auto restoration and collision center who allegedly conspired with a Department employee to misappropriate and sell Department vehicles. Our Office of Investigations conducted the investigation that led to the prosecution of this individual. In short, this single project exemplifies the ways that OIG's work can simultaneously lead to effective stewardship of taxpayer resources, protection of health and safety, and prosecution of wrongdoers.

IV. UPCOMING WORK

Our work will continue to focus on issues that will help the Department and BBG improve their programs and operations. Many of these projects will relate directly to the key management challenges that I described previously. I note, however, that this work presumes that funding is available.

During FY 2017 and 2018, our Office of Inspections plans to conduct approximately 40 inspections of overseas posts and domestic bureaus. For example, over the next few months, we will issue reports of posts in Tel Aviv, Israel; Monrovia, Liberia; Colombo, Sri Lanka; Bishkek, Kyrgyzstan; Luanda, Angola; and Accra, Ghana, as well as the Bureau of Near Eastern Affairs. Overseas inspections always consider issues that relate directly to management challenges, including embassy security, information security and management, and management of grants and contracts. Domestic inspections also address management challenges that are appropriate for the mission of the bureau or office being inspected. In addition, we are working on a number of targeted inspections, including a review of emergency preparedness and emergency communications capabilities at posts at higher risk for natural disasters.

Much of our audit work is devoted to mandatory requirements, such as annual financial statement and information security audits. In addition, though, we will continue to perform audits that examine issues relating to high-risk management challenges, focusing particularly on high-cost programs and vital operations. We anticipate performing work that will address

²⁴ OIG, *Audit of the Bureau of Diplomatic Security's Administration of the Armored Vehicle Program* (AUD-SI-17-21, February 2017).

²⁵ OIG, *Management Assistance Report: Health and Safety Concerns Identified Related to Armored Vehicle Disposals* (AUD-SI-17-20, January 2017).

emergency action plans, construction and design of new embassy compounds, specific invoice reviews, and review of particular contracts. For example, we plan to review OBO's new embassy construction planning budget and its value engineering program. We also plan to conduct an audit of food services under the Baghdad Life Support Services Contract as well as fuel acquisition and distribution in Jordan.

ESP is continuing its work with the OIG for the Department of Justice regarding shooting incidents in Honduras in 2012, which involved Drug Enforcement Administration and Department personnel. In addition, ESP is reviewing certain aspects of DS's clearance processes.

OIG will also continue to fulfill its statutory mandate to assist in overseeing the two ongoing OCOs. In addition to the mandated quarterly reports prepared in conjunction with the Department of Defense and USAID, many of our other projects will continue to support the OCO oversight efforts. For example, we are currently conducting or planning audits of the Department's conventional weapon destruction program and of assistance to internally displaced persons in Iraq.

Finally, we will continue to alert Department leadership of the need for immediate corrective action through management assistance reports and management alerts. We will also continue to conduct investigations of potential criminal, civil, and administrative misconduct regarding the Department's program and operations, with a particular focus on fraud, waste, and abuse. Finally, we will continue our work on whistleblower claims and investigations.

V. CONCLUSION

In conclusion, I want to thank Chairman Rogers, Ranking Member Lowey, and the other Members of the Subcommittee here today for the opportunity to testify. I also want to emphasize that OIG's accomplishments are a credit to the talented and committed staff that I have had the privilege to lead, and I also want to take this moment to thank them for their hard work. I take my statutory requirement to keep the Congress fully and currently informed seriously, and I appreciate your interest in our work. I look forward to your questions.