

## **(U) Information Report: Systemic Deficiencies Related to the Department of State's Fuel Management From FY 2016 Through FY 2020 (AUD-MERO-22-20, March 2022)**

### **(U) Summary of Review**

~~(SBU)~~ Proper management of fuel at Department of State (Department) posts abroad is critical for successful overseas operations. ~~(b) (7)(F)~~

~~(b) (7)(F)~~ From FY 2016 through FY 2020, the Office of Inspector General (OIG) issued 43 unclassified reports that identified deficiencies in managing the acquisition, storage, distribution, and monitoring of fuel at 43 overseas missions. In this information report, OIG summarizes the findings in these reports to identify systemic weaknesses in the Department's management of its overseas fuel stock and to gauge the Department's progress toward addressing these deficiencies.

~~(SBU)~~ Within this report, OIG categorized previously reported fuel management deficiencies into four themes: (1) insufficient documentation and document review, (2) improper acceptance procedures, (3) ~~(b) (7)(F)~~ (4) fuel equipment deficiencies. These deficiencies generally occurred because posts did not implement robust internal controls. Specifically, posts did not always exercise strong management oversight, did not implement control activities through policies and procedures, and did not demonstrate a commitment to the competence of staff. Furthermore, OIG found that competing priorities brought about fuel management deficiencies. These deficiencies led to an increased risk of fuel loss through theft, misappropriation, and leakage, and OIG identified approximately \$77 million in questioned fuel costs. ~~(b) (7)(F)~~

~~(b) (7)(F)~~ To address these deficiencies, OIG issued 156 recommendations across the 43 reports to improve management oversight of fuel and the implementation of control activities, as well as to improve the competence of fuel management staff through training. OIG also made recommendations to address deficient fuel equipment and to resolve questioned costs.

(U) As of September 2021, 147 of 156 (94 percent) recommendations offered by OIG had been implemented and closed. These recommendations were closed based upon Department actions to create or update standard operating procedures, improve management controls over fuel, train or assign officials responsible for managing fuel, repair or install functioning fuel equipment, and resolve questioned costs. However, nine recommendations remain open, and the posts involved have begun corrective actions to address each of the identified deficiencies. Because the Department has acted or is taking action to implement all open recommendations, OIG is offering no new recommendations in this report. However, the prevalence of the deficiencies identified across the 43 OIG reports at multiple overseas posts suggests that the Department may have unidentified vulnerabilities with fuel operations not reviewed by OIG. In noting the common deficiencies and the actions taken to close OIG's recommendations, this report may be used as a reference for the Department and other posts seeking to strengthen their fuel management operations. Sustained attention to addressing fuel management deficiencies from overseas posts will increase awareness of common issues among officials at overseas posts and help

ensure compliance with Federal and Department requirements. OIG encourages Department officials to examine current procedures and assess the need for change to address longstanding deficiencies. Furthermore, OIG urges Department leadership to share this report with management personnel across overseas posts.

(U) In response to a draft of this report, the Under Secretary of State for Management stated that he would ask the Foreign Service Institute and the Diplomatic Security Training Directorate to include findings and results from this report in applicable training. The Under Secretary also stated that the Bureau of Overseas Buildings Operations will use the report as a lessons-learned training tool and will continue to emphasize to posts the importance of proper fuel management. The Under Secretary's response is reprinted in full in Appendix C.<sup>1</sup>

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<sup>1</sup> (SBU) (b) (7)(F)

