Inspector General's Assessment of Management and Performance Challenges

The *Reports Consolidation Act of 2000* requires that the Department's Performance and Accountability Report include a statement by the Inspector General that summarizes the most serious management and performance challenges facing the Department and briefly assesses the progress in addressing them. The Office of Inspector General (OIG) considers the most serious management and performance challenges for the Department to be in the following areas:

Inspector General, Steve A. Linick

1. Protection of People and Facilities
2. Managing Contracts, Acquisition, and Grants
3. Information Security and Management
4. Financial Management
5. Managing Posts in Conflict Areas
6. Rightsizing
7. Foreign Assistance Coordination and Oversight
8. Consular Operations
9. Leadership
10. Public Diplomacy

1 PROTECTION OF PEOPLE AND FACILITIES

Protecting overseas personnel and facilities continues to be a management challenge. In 2013, there were 22 attacks on embassy facilities or personnel, including protestors throwing cans of paint over embassy walls and a firefight against armed attackers that resulted in the deaths of the eight attackers and seven members of the local security force.[1] Since the September 2012 Benghazi attacks, the Department has taken steps to protect against or prevent future attacks. The Department created the High Threat Programs Directorate to address issues unique to High Threat High Risk missions, and the Department developed an annual risk management/risk assessment "vital presence validation (VP2) process," under which Department entities assess whether High Threat High Risk missions should remain open or closed given the risks and whether staffing levels at those missions are appropriate. Additional steps, however, are needed to protect overseas personnel and facilities.

Immediately following the Benghazi attacks, OIG performed a series of audits that examined physical and procedural security measures, the physical-security funding process, emergency action planning, the Worldwide Protective Services contract, the suitability vetting of local guards, the Marine Security Guard (MSG) program, and the use of emerging threat information at posts worldwide. In addition, OIG issued 10 Outlines for Action, identifying weaknesses that required expeditious attention by Department management.

OIG found that certain high- and medium-threat posts were not in compliance with current physical and procedural security standards.[2] In a project to determine the funding process for physical-security needs at overseas posts,[3] OIG could not determine the extent to which the Department used funds to address high-priority, physical-security needs because the Department did not have a comprehensive list of all physical-security deficiencies. If exploited, these deficiencies could compromise the safety of post personnel and property.

OIG also determined that management and oversight of security personnel was lacking[4] and that none of six security contractors reviewed had fully performed all vetting requirements contained in contracts for the Local Guard

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[1] Department of State, Bureau of Diplomatic Security, "Year in Review 2013–Confronting Danger."

[2] *Audit of Department of State Compliance with Physical Security Standards at Selected Posts within the Bureau of African Affairs* (AUD-HCI-13-40, September 2013).

[3] *Audit of the Process To Request and Prioritize Physical Security-Related Activities at Overseas Posts* (AUD-FM-14-17, March 2014).

[4] *Audit of Bureau of Diplomatic Security Worldwide Protective Services Contract – Task Order 5 for Baghdad Movement Security* (AUD-MERO-13-25, March 2014).

Program. Employing improperly screened guards at sensitive locations increases risk for embassies and personnel.[5] OIG found that the Department could not demonstrate that it had effectively managed key aspects of the MSG program. Additionally, the Department could not demonstrate it had formal, documented procedures to guide the identification and selection of overseas posts that could benefit from new or reallocated MSG detachments.[6]

OIG found that six posts that it audited received threat information, had the necessary information to adjust their security postures, and used threat information in accordance with requirements. OIG reported that the Department had not developed standards for what constitutes a timely response to post.[7] During the compliance process, the Department provided documentation to OIG showing that it had established and implemented standards for what constitutes a timely response. Regarding the Department's management of emergency-action planning at U.S. Mission Pakistan, OIG found that the posts had developed, and the Department had approved, such plans and that posts routinely had trained staff on the plans and practiced responses to potential emergencies. However, neither the posts nor the responsible bureau had ensured that posts had sufficient resources to respond to all types of emergencies or prolonged periods of crisis.[8]

2 MANAGING CONTRACTS, ACQUISITION, AND GRANTS

The Department continues to face challenges managing contracts and grants, including cooperative agreements.[9] The challenges have been reported in OIG audits, inspections, and investigations and were highlighted in two Management Alerts for senior Department management. For example, in

FY 2014, 56 percent of the inspections carried out in overseas posts and domestic bureaus contained formal recommendations to strengthen controls and improve administration of contracts and grants. In a number of sites inspected during FY 2014,[10] inspectors recommended increased training for grant officer representatives (GOR).

OIG found that the Bureau of International Narcotics and Law Enforcement Affairs (INL) had not consistently encouraged competition in the awarding of grants, awarding 82 of 250 (33 percent) grants and cooperative agreements through sole-source justifications rather than through full and open competition. OIG also found that the Bureau of Conflict and Stabilization Operations (CSO) had awarded 80 percent of its grants and cooperative agreements (66 percent of total funding) with sole-source justifications instead of full and open competition.[11]

In one Management Alert,[12] OIG reported that, over the past six years, OIG had identified Department contracts with a total value of more than $6 billion in which contract files were incomplete or could not be located at all. The Alert stated that failure to maintain contract files creates significant financial risk, demonstrates a lack of internal control over the Department's contract actions, creates conditions conducive to fraud, impairs the ability of the Department to take effective and timely action to protect its interests, and limits the ability of the Government to punish and deter criminal behavior.

In another Management Alert,[13] OIG highlighted deficiencies with overall grants management caused by too few staff managing too many grants, including weaknesses in oversight; insufficient training of grant officials; and inadequate documentation and closeout of grant activities. The Alert

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[5] *Audit of Contractor Compliance With and Department of State Oversight of the Process Required for Vetting Local Guards* (AUD-HCI-14-24, June 2014).

[6] *Audit of the Department of State Management of the Marine Security Guard Program and Plans for Program Expansion* (AUD-SI-14-30, September 2014).

[7] *Audit of Department of State Use of Threat Information to Enhance Security at High-Threat Overseas Posts* (AUD-SI-14-25, May 2014).

[8] *Audit of Emergency Action Plans for U.S. Mission Pakistan* (AUD-MERO-14-08, December 2013).

[9] *United States Department of State Fiscal Year 2013 Agency Financial Report*, December 2013, p. 48.

[10] *Inspections of the Bureaus of Conflict and Stabilization Operations* (ISP-I-14-06, March 2014) and *International Security and Nonproliferation* (ISP-I-14-19, July 2014). *Inspections of Embassies Kabul* (ISP-I-14-22A, August 2014), *La Paz* (ISP-I-14-16A, July 2014), *Lima* (ISP-I-14-12A, June 2014), *Manama* (ISP-I-14-07A, March 2014), and *San Salvador* (ISP I 14 05A, March 2014).

[11] *Inspection of the Bureau of Conflict and Stabilization Operations* (ISP-I-14-06, March 2014).

[12] *Management Alert (Contract File Management Deficiencies)*, MA-A-0002, March 20, 2014.

[13] *Management Alert (Grants Management Deficiencies)*, MA-14-03, September 26, 2014.

stated that failure to maintain appropriate oversight of grants results in a lack of internal control and exposes the Department to significant financial risk. These conditions could lead to the misuse or misappropriation of grant funds, failure to meet grant program objectives, and inability to utilize unused grant funds that have expired. Both Management Alerts made recommendations to senior Department officials to mitigate the highlighted vulnerabilities.

Other OIG products also identified ongoing challenges with contract and grants management. For example, one audit[14] identified five areas in which a regional bureau had not always administered or overseen its contracts in accordance with Federal laws and Department guidance and also identified eight areas in which grants personnel had inadequately administered and monitored its grants. During a review to determine whether the Department had effectively and efficiently closed contracts supporting the U.S. Mission in Iraq, OIG determined that the contract closeout teams and the contracting officers had not consistently met Federal and Department contract closeout requirements for the 115 Iraq-related contract task orders reviewed.

3 INFORMATION SECURITY AND MANAGEMENT

The Department continues to face difficulties meeting the requirements of the Federal Information Security Management Act of 2002 (FISMA) and implementing a fully effective information security management program. During the FY 2014 FISMA audit, OIG found that the Department was expending new funds toward information security program improvements, which were not fully implemented at the time of review. In addition, OIG identified security control weaknesses that had significantly impacted the information security program, potentially undermining the confidentiality, integrity, and availability of information and information systems. Because these serious vulnerabilities have recurred for several years, OIG considers the collective security weaknesses a significant deficiency under FISMA.[15]

Several of OIG's domestic inspections during the fiscal year highlighted continuing service delivery problems from the Bureau of Information Resource Management (IRM). The inspections of the Bureaus of Economic and Business Affairs, CSO, International Security and Nonproliferation,[16] and the Bureau of Diplomatic Security's High Threat Post Directorate, all demonstrated deficiencies in IRM's ability to provide high quality customer service that meets the bureaus' business requirements. Problems reported ranged from general dissatisfaction to complaints about delays that impede work, questionable practices related to closing of trouble tickets, and general ambiguity of roles and responsibilities as they relate to the master service-level agreements between IRM and bureaus.

Numerous recent inspection reports identified the reemergence of problems involving systems and communications capabilities related to emergency preparedness at overseas posts and domestic bureaus. This was the case despite OIG's 2011 memorandum[17] highlighting the need for increased attention by Department senior management to improve IT contingency planning. During FY 2014, OIG inspection teams encountered problems related to IT emergency preparedness during several inspections including non-existent, outdated, or untested contingency plans, untested alternate command centers, and insufficient or untested radio and telephone equipment.

A lack of participation in drills and exercises related to emergency planning demonstrates a continuing lack of awareness and commitment to emergency preparedness.

4 FINANCIAL MANAGEMENT

Financial management continues to be a significant management challenge for the Department. During the audit of the FY 2013 financial statements,[18] an independent auditor identified significant internal control deficiencies related to financial reporting, property and equipment, budgetary accounting, unliquidated obligations, retirement fund data, and information technology. In another audit report,[19] OIG found

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[14] *Audit of the Administration and Oversight of Contracts and Grants Within the Bureau of African Affairs* (AUD CG-14-31, August 2014).

[15] *Management Alert (OIG Findings of Significant and Recurring Weaknesses in the Department of State Information System Security Program)*, MA-A-0001, January 13, 2013.

[16] *Inspections of the Bureaus of Economic and Business Affairs* (ISP-I-14-01, February 2014), *Conflict and Stabilization Operations* (ISP-I-14-06, March 2014), and *International Security and Nonproliferation* (ISP-I-14-19, July 2014).

[17] *Memorandum Report–Improvements needed in Information Technology Contingency Planning* (ISP-I-12-04, December 2011).

[18] *Independent Auditor's Report on the U.S. Department of State 2013 and 2012 Financial Statements* (AUD-FM-14-10, December 2013).

[19] *Audit of Department of State Use of Appropriated Funds Prior to Expiration and Cancellation* (AUD-FM-14-21, May 2014).

that although the Department had generally used most of its available funds within the periods of availability, there were opportunities to improve fund management. OIG identified two issues that had negatively affected fund management and that could be improved: insufficient oversight of unliquidated obligations and delays in the contract closeout process. Because of limitations in funds management in these two areas, the Department lost the use of approximately $153 million in funds. Based on information provided during the compliance process, bureaus have taken action to improve their efforts to oversee unliquidated obligations in response to this audit.

5 MANAGING POSTS IN CONFLICT AREAS

Managing the civilian presences in Iraq and Afghanistan remains a major challenge for the Department. Three years after the transition from a military-led to a civilian-led presence in Iraq, political instability, inter-ethnic strife, and the resumption of limited U.S. military activity illustrate the complexities affecting decision-making regarding U.S. presence overseas.[20] Prior to the signing of the Bilateral Security Agreement, the ongoing transition to a civilian-led U.S. presence in Afghanistan was hampered by host government indecision about a continuing U.S. military presence.[21] To address these transition issues in Kabul, OIG recommended that the mission undertake a critical review of assistance programs to determine which are effective, sustainable, and can be adequately administered and monitored in a changing security environment with frequent turnover of both American and locally employed staff.[22]

Drawdowns, "relocations," and closures of U.S. posts in the Middle East and Africa have demonstrated that Iraq and Afghanistan are not the only locations facing management challenges amid physical perils. OIG teams identified missions where long-standing security vulnerabilities had not been addressed.[23]

6 RIGHTSIZING

During a number of inspections, OIG questioned the Department's rationale for maintaining embassies, consulates, and other diplomatic facilities in certain locations considering the cost benefits and the security and safety concerns. Establishing optimal staffing levels also presents an ongoing management challenge.

OIG also recommended that the Department clarify mission staffing projections during four inspections in 2014.[24] At Embassy Bujumbura, OIG found no evidence that Department bureaus had supported the embassy's continued plans for growth (as outlined in its Mission Resources Request) and recommended that the mission submit an amended rightsizing report on "the basis of current operating conditions, realistic staffing predictions…and the minimum number of U.S. direct-hire staff necessary to run the embassy."[25] OIG recommended an off-cycle rightsizing review of Embassy Tbilisi because growth in the mission had exceeded previous projections. OIG recommended that Embassy Kabul conduct a rightsizing review after decisions are made on the level of remaining U.S. and international forces. At Embassy Abu Dhabi, OIG noted that direct hire staffing had increased from 102 to 327 from 2004 to 2013. However, the process by which the Chief of Mission set the size and composition of that staffing[26] had not accomplished its intended purpose: staffing discussions were limited to too few people and did not reach the broader strategic level necessary to determine agencies' mandates and how the mix of agencies maximizes U.S. Government interests. OIG recommended that the Department clarify Embassy Abu Dhabi's role as a regional platform.

The cost of assigning an employee overseas is almost triple that of basing an employee domestically ($601,139/year vs. $228,282/year).[27] OIG continues to find unneeded positions overseas, which also places employees and their families at unnecessary security risk because of needless overseas

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[20] NEA Press Guidance, July 1, 2014.

[21] *Inspection of Embassy Kabul and Constituent Posts* (ISP-I-14-22A, August 2014).

[22] *Inspection of Embassy Kabul and Constituent Posts* (ISP-I-14-22A, August 2014).

[23] *Inspection of Embassy Kampala, Uganda* (ISP-I-14-18A, July 2014). Note: The first cycle of the Department's VP2 process, used to identify high-threat posts and to evaluate their viability, will not be completed until early 2015.

[24] *Inspections of Embassies Bujumbura* (ISP-I-14-20A, July 2014), *Kabul* (ISP-I-14-22A, August 2014), and *Abu Dhabi* (ISP-I-14-11A, May 2014).

[25] *Inspection of Embassy Bujumbura, Burundi* (ISP-I-14-20A, July 2014).

[26] National Security Decision Directive 38.

[27] Office of Management, Policy and Innovation New Position Cost Model for FY 2015.

assignment. At the same time, more employees are needed in other locations.

In OIG's 2014 inspection of Embassy Abu Dhabi, OIG questioned the Department's justification for maintaining an eight-person regional office of the Middle East Partnership Initiative in the United Arab Emirates after the host government enforced restrictions on the program, including the prohibition of future grants in-country.[28] OIG recommended closing that regional office for a savings of about $1.5 million. At Embassy Panama City,[29] OIG found that an Information Resource Center specialist position was unnecessary and could be abolished because the mission's Information Resource Center had closed in January 2013. OIG found that the Department could save $4.3 million annually by assigning voucher examiners in low-cost missions or in the South Carolina-based remote voucher processing unit to review and process vouchers, rather than assigning these tasks to voucher examiners located at high-cost missions.[30] In 2013, OIG recommended that the Department relocate 80 percent of its 99 regional information technology specialists to the United States because most of the services that they provided from overseas missions were routine and could be provided from the United States.[31]

The Department employs three programs to manage overseas staffing. First, Congress requires the Department to complete a rightsizing review of each overseas U.S. mission at least once every five years to ensure for example that staffing is aligned with strategic goals. Second, National Security Directive 38 requires Chief of Mission approval on any proposed changes in the size, composition, or mandate of staff elements for agencies under Chief of Mission authority. Both of these programs are administered by the Office of Management Policy, Rightsizing and Innovation, which OIG plans to inspect in FY 2015. Third, the recently established VP2 process will also affect staffing at high-threat posts.

OIG was similarly engaged with respect to domestic inspections. In the inspection of the Bureau of Economic and Business Affairs,[32] OIG recommended significant reorganization and rightsizing to reduce costs and enhance efficiency, including reducing staff in three offices, merging two offices into a single entity, eliminating two divisions in another office, and abolishing a fourth office entirely. The report also recommended adding positions in three offices that were inadequately staffed, including an office that leads the effort to increase economic officers' focus on identifying export opportunities for U.S. businesses, a stated priority of the administration and the Department.

In its inspection of CSO,[33] OIG found that the front office was overstaffed and recommended a reduction in the number of deputy assistant secretaries. The report on the Bureau of Arms Control, Verification, and Compliance[34] noted that the bureau had a high supervisor-to-employee ratio and called on the bureau to conduct an assessment to establish a more appropriate level. OIG also recommended in that report that mid-level Civil Service positions be established overseas to provide those employees opportunities to gain experience with multilateral negotiations.

7 FOREIGN ASSISTANCE COORDINATION AND OVERSIGHT

Foreign assistance resources managed by the Department and the U.S. Agency for International Development (USAID) under the direction of the Secretary of State have grown substantially over the last 10 years.[35] Coordinating foreign assistance programs among agencies, Department bureaus, and missions is a continuing challenge as is the proper design and oversight of Department-managed assistance programs.

Coordination problems plague domestic bureaus as well.[36] During the inspection of CSO, OIG noted that the bureau's mission overlapped with other U.S. Government entities,

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[28] *Inspection of Abu Dhabi and Consulate General Dubai, United Arab Emirates* (ISP-I-14-11A, May 2014).

[29] *Inspection of Embassy Panama City, Panama* (ISP-I-14-04A, February 2014).

[30] *Review of Remote Voucher Processing* (ISP-I-14-21, July 2014).

[31] *Inspection of Regional Information Management Centers* (ISP-I-13-14, February 2013).

[32] *Inspection of the Bureau of Economic and Business Affairs* (ISP-I-14-01, February 2014).

[33] *Inspection of the Bureau of Conflict and Stabilization Operations* (ISP-I-14-06, March 2014).

[34] *Inspection of the Bureau of Arms Control, Verification, and Compliance* (ISP-I-14-14A, June 2014).

[35] 18 FAM 057.7 and QDDR, 2010, p. 116.

[36] *Inspections of the Bureaus of Conflict and Stabilization Operations* (ISP-I-14-06, March 2014) and *Economic and Business Affairs* (ISP-I-14-01, February 2014).

including USAID's Office of Transition Initiatives and the Bureau of Democracy, Human Rights, and Labor; the Bureau of International Narcotics and Law Enforcement Affairs, and the Bureau of Near Eastern Affairs' Middle East Partnership Initiative. This overlap appeared to extend into CSO's programs; OIG found that although CSO had not received appropriated foreign assistance funds, it had competed to obtain these funds from other entities. OIG recommended that CSO should fully coordinate with other entities to avoid duplication of effort, expenditures, and personnel. OIG also recommended that in an era of scarce resources, CSO should compete for program resources only when no other appropriate entity is available to implement a program deemed necessary to avoid or mitigate conflict. OIG highlighted a similar problem during the inspection of the Bureau of Economic and Business Affairs.

In addition to problems with program coordination, the Department also struggles to track the status of its foreign assistance funds. Neither the domestic Global Financial Management System and its data repository, nor the Overseas Regional Financial Management System and its data repository, can easily collect and analyze funding and expenditures by program, project, or country. Inspections and audits of INL,[37] the Office of U.S. Foreign Assistance Resources,[38] the Bureau of International Security and Nonproliferation,[39] including the Nonproliferation and Disarmament Fund,[40] and the Bureaus of Near Eastern Affairs and South and Central Asian Affairs[41] noted that, because of the inadequacy and incompatibility of the Department's core financial systems, offices had created their own ad hoc systems and informal records in order to manage foreign assistance funds. These processes are time-consuming and subject to human error resulting in inaccurate accounting, incomplete reports, an inability to reconcile field, Washington, and automated records, and an increased vulnerability to fraud, waste, and abuse.

Inspectors continued to note weaknesses in the design and oversight of assistance programs and grants. At Embassy Panama City, where the Department awarded 177 grants totaling $7.6 million over five years, OIG found that grant management responsibilities were too widely dispersed, making it difficult to ensure consistent oversight. Improvements were particularly important because several of the grantees were considered high-risk according to the Department's definition and required increased monitoring. OIG found that Embassy San Salvador lacked trained GORs to oversee foreign assistance programs, including two INL grants totaling more than $2 million. During the inspection of CSO, OIG found that new program officers and GORs were confused about their roles, the role of the grants officer, and the role of the grantees. At Embassy Kabul, OIG noted that some grant monitoring plans did not reflect the realities of overseeing grantees in difficult locations. OIG's audit of INL's corrections system support program in Afghanistan highlighted that INL obligated funds without first ensuring that programs met USAID's sustainability guidance, a requirement included in the Consolidated Appropriations Act of 2012.

At the same time, the Department has made some progress in facilitating transparency and coordination. It recently posted some, but not all, foreign assistance information by country to *www.foreignassistance.gov*. The Department also started posting completed mission and bureau program evaluations on the internet. Additionally, the Department required that work commitments of contracting officer representatives (CORs) spending more than 25 percent of their time on COR duties, reflect those duties;[42] however, the requirement did not extend to GORs. On the CSO inspection, OIG recommended that GOR responsibilities be included in employees' work commitments so that GORs could be held accountable for performance.[43]

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[37] *Inspection of the Bureau of International Narcotics and Law Enforcement Affairs* (ISP-I-05-14, July 2005); Survey of the Status of Funding for Iraq Programs Allocated to the Department of State's Bureau of International Narcotics and Law Enforcement Affairs as of December 31, 2005 (AUD/IQO-06-30 and SIGIR-06-018, July 2006); Audit of Narcotics Program Management Issues (98-CI-004); See also U.S. Senate, Committee on Homeland Security & Governmental Affairs, Subcommittee on Contracting Oversight, New Information about Counternarcotics Contracts in Latin America, June 2011.

[38] *Inspection of the Office of the Director of U.S. Foreign Assistance Resources* (ISP-I-11-57, August 2014).

[39] *Inspection of the Bureau of International Security and Nonproliferation* (ISP-I-14-19, July 2014).

[40] *Audit of Nonproliferation and Disarmament Fund (NDF) Controls Over Contracting and Project Management and Integrity of Financial Data* (AUD-FM-13-17, December 2012).

[41] *Inspections of the Bureaus of Near Eastern Affairs and South and Central Asian Affairs* (ISP-I-11-49A, May 2011 and ISP-I-11-47, June 2011).

[42] Department Notice 2014_06_196 will take effect during the 2014-2015 evaluation season.

[43] *Inspections of the Bureau of Conflict and Stabilization Operations* (ISP-I-14-06, March 2014) and *Embassy Kampala* (ISP-I-14-18A, July 2014).

8 CONSULAR OPERATIONS

An interview for a U.S. visa is the first encounter with the United States for most foreigners, and for many it is the only time they will talk to an American official. Providing services to U.S. citizens abroad is a fundamental and statutory duty of the Department. Planning and preparing for continued growth in demand for consular services from both groups remains a challenge for the Department. In FY 2014, OIG's inspection of the Bureau of Consular Affairs' Visa Services Directorate[44] (CA/VO) found that CA had leveraged a number of tools to meet demand, especially for non-immigrant visa applications including expansion of interview waivers, improved name checking systems, and implementation of a management project, known as 1CA, designed to bring consistency, balance, and business principles to consular management worldwide.

In FY 2014, inspections of a number of small to medium-sized consular sections, OIG found that not all consular managers were implementing these CA initiatives consistently. For example, Embassy Panama City had not implemented the authorized interview or personal appearance waivers, resulting in overcrowding in its waiting room.[45] Embassy Sofia had adopted a local practice of having its fraud investigator pre-screen 100 percent of documents presented by visa applicants, slowing down its processing without measurable results in fraud prevention.[46] Embassy Abu Dhabi[47] and Embassy Manama[48] had not codified standard operating procedures for handling matters that recur regularly.

Consular systems are a primary concern because every aspect of consular work rests on the usability, reliability, and integrity of the consular consolidated database, a system also used by other Federal agencies. At the time of the CA/VO

inspection, 11 of 35 recommendations from OIG's FY 2011 inspection of the Bureau's Office of Consular Systems and Technology[49] remained open, some of which are critical to consular consolidated database security.

CA's $2.8 billion, 10-year contract for support services, known as the Global Support Strategy (GSS), is active at 172 posts. The GSS contract is designed to provide customer service in visa information dissemination, appointment setting, fee collection, and document delivery. In some countries, applicants visit offsite centers to submit their applications and have their photos and fingerprints taken, which can alleviate space constraints at some posts by reducing crowding in consular waiting rooms and enabling faster service at their interview appointments. CA does not expect to deploy GSS to the 58 consular sections whose workload averages less than 2,400 applications per year.[50]

9 LEADERSHIP

OIG's FY 2014 inspections of 19 overseas missions found that nearly half have leadership problems with ambassadors, charge d'affaires, or DCMs, that should have been addressed at post or by the Department. This number is high in part because of the priority OIG places on inspecting posts with known problems. For example, at Embassy Abu Dhabi, OIG found that the ambassador, while effective in areas such as building contacts with the host country and promoting U.S. commercial interests, needed to pay more attention to other important U.S. interests such as law enforcement and illicit finance. Further, the ambassador had received lower-than-average scores in every leadership category in an OIG-administered survey.[51] Other problems identified in overseas inspections include a lack of attention to leading and managing the mission,[52] inexperienced DCMs,[53]

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[44] *Inspection of the Bureau of Consular Affairs, Visa Services Directorate*, pending publication, 2014.

[45] *Inspection of Embassy Panama City, Panama* (ISP-I-14-04A, February 2014).

[46] *Inspection of Embassy Sofia, Bulgaria* (ISP-I-14-02A, February 2014).

[47] *Inspection of Embassy Abu Dhabi and Consulate General Dubai, United Arab Emirates* (ISP-I-14-11A, May 2014).

[48] *Inspection of Embassy Manama, Bahrain* (ISP-I-14-07A, March 2014).

[49] *Inspection of the Bureau of Consular Affairs, Office of Consular Systems and Technology* (ISP-I-14-51).

[50] CA Web, GSS Services FAQs, accessed 9-30-2014 at http://intranet.ca.state.gov/management/gss/faq/26677.aspx.

[51] *Inspection of Embassy Abu Dhabi and Consulate General Dubai, United Arab Emirates* (ISP-I-14-11A, May 2014).

[52] *Inspections of Embassies Abu Dhabi* (ISP-I-14-11A) and *Manama* (ISP-I-14-07A, May 2014).

[53] *Inspection of Embassy Sofia, Bulgaria* (ISP-I-14-02A, February 2014).

onerous internal paperwork requirements,[54] and lack of clear mission goals.[55]

In FY 2014, inspectors also identified problems domestically. For example, inspectors found that CSO struggles from a lack of directional clarity, lack of transparency, micromanagement, and reorganizational fatigue. Inspectors found in the Bureau of Economic and Business Affairs a front-office staffing plan with excess staffing and redundancies.

The Department has taken recent steps toward improving the evaluation of leadership, beginning with the implementation of a Chief of Mission leadership survey in which the Department's direct hire U.S. employees at each embassy rate their ambassadors on 12 leadership qualities. This survey was an outgrowth of formal recommendations made by the OIG in 2010 and 2012.[56] The Department also issued the Leadership and Management Principles for Department Employees (3 FAM 1214), which the OIG recommended in 2012.[57]

10 PUBLIC DIPLOMACY

The biggest challenge for public diplomacy is how to link programming to policy priorities. The 2013 OIG inspection of the Bureau of International Information Programs[58] found that there is no Department-wide public diplomacy strategy that ties resources to priorities. In response, OIG recommended that the Office of the Under Secretary for Public Diplomacy and Public Affairs conduct a management review of public diplomacy in the Department. Further, stove-piping continues among the bureaus of Public Affairs, International Information Programs, and Education and Cultural Affairs. Department leadership has, however,

identified five specific areas of focus: entrepreneurism, educational diplomacy, countering violent extremism, environmental diplomacy, and professional growth.[59]

In addition, the Compliance Follow-up Review[60] to OIG's Inspection of the Bureau of Educational and Cultural Affairs[61] highlighted knowledge management as a critical unmet need. There are too many distinct systems designed to meet the unique management needs of ECA's 140 highly specialized programs. Inadequate knowledge management complicates the bureau's ability to quantify the relevance of its public diplomacy activities. The report recommended that the bureau create a data-collection system that is standardized but still meets individual program needs. Finally, OIG previously reported on social media challenges and recommended that guidelines be prepared for the Department.[62]

During overseas inspections, OIG found that very few missions used a social media strategy or plan to guide the embassies' social media content. Additionally, public affairs sections are not always aware of other agency activities and therefore miss opportunities to promote those activities.

During its physical inspection of 14 President's Emergency Plan for AIDS Relief (PEPFAR) funded facilities, OIG was often unable to determine what role, if any, the U.S. Government played in the financing and construction of these overseas health care facilities because signs affixed to the medical facilities were small and contained opaque wording. Therefore, OIG recommended that the Office of the U.S. Global AIDS Coordinator create standard signage for all PEPFAR-funded facilities to better highlight and display the American people's contribution to globally combat HIV/AIDS.[63]

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[54] *Inspection of Embassy Lima, Peru* (ISP-I-14-12A, June 2014).

[55] *Inspection of Embassy Bridgetown, Barbados and Embassy St. Georges, Grenada* (ISP-I-14-09A, March 2014).

[56] *Implementation of a Process to Assess and Improve Leadership and Management of Department of State Posts and Bureaus* (ISP-1-10-68, June 2010), *Management Report–Improving Leadership at Posts and Bureaus* (ISP-1-12-48, September 2012).

[57] *Memorandum Report–Improving Leadership at Posts and Bureaus* (ISP-I-12-48, September 2012).

[58] *Inspection of the Bureau of International Information Programs* (ISP-I-13-28, May 2013).

[59] Cable from Under Secretary for Public Diplomacy and Public Affairs R. Stengel, February 14, 2014.

[60] *Compliance Follow-up Review of the Bureau of Educational and Cultural Affairs* (ISP-C-13-51, September 2013).

[61] *Inspection of the Bureau of Educational and Cultural Affairs* (ISP-I-12-15, February 2012).

[62] 5 FAM 790.

[63] *Compliance Follow-up Audit of Department of State Actions To Address Weaknesses in the Ownership, Award, Administration, and Transfer of Overseas Construction Funded by the President's Emergency Plan for AIDS Relief* (AUD-ACF-14-32, August 2014).

Management's Response to Inspector General

In 2014, the Department of State's Office of Inspector General (OIG) identified management and performance challenges in the areas of: protection of people and facilities; managing contracts, acquisition, and grants; information security and management; financial management; managing posts in conflict areas; rightsizing; foreign assistance coordination and oversight; consular operations; leadership; and public diplomacy. The Department promptly takes corrective actions in response to OIG findings and recommendations. Highlights are summarized below.

1. PROTECTION OF PEOPLE AND FACILITIES	
Challenge Summary	Protecting overseas personnel and facilities continues to be a management challenge. Since the September 2012 Benghazi attacks, the Department has taken steps to protect against or prevent future attacks.
Actions Taken	The Department has created and funded 14 new Threat Analyst positions. Eight analysts will be deployed overseas, which will be the first time analysts are assigned to work for regional security officers abroad. Six analysts will be embedded in the Diplomatic Security Command Center to better evaluate incoming threat information on a 24/7 basis, in concert with our interagency partners.
Actions Remaining	The 14 Threat Analyst positions that have been created and advertised are scheduled to be filled during the current assignment cycle. Employees are expected to serve in these positions by summer 2015. The overseas analysts will complete one year of training domestically before deploying to their overseas posts by the summer of 2016.

2. MANAGING CONTRACTS, ACQUISITION, AND GRANTS	
Challenge Summary	The Department continues to face challenges managing contracts and grants, including cooperative agreements.
Actions Taken	A memorandum was issued in April 2014 from the Procurement Executive to all warranted contracting officers and Federal Acquisition Certification-Contracting Officer's Representative (FAC-COR) Program certified individuals reminding them of their responsibility to maintain adequate records of contract administration actions. The Department designated a contract file audit coordinator to manage the new file audit efforts. Desk Officers performed a contract file review at Baku, Yerevan, and Tbilisi to initiate the file audit program. In May 2014, the Department issued Procurement Information Bulletin No. 2014-10, *Contract Files*, to create new contract file audit requirements.
Actions Remaining	Contracting officers will be provided information on COR contract file deficiencies. This information may be used by contracting officers to determine the competency of CORs for appointment on their contracts. The Department will track significant failure of contracting officers and CORs to perform contract file duties and will use this information to determine appropriate remedies which may include additional oversight of the individual, remedial training, reduction of warrant level, suspension of warrant, or suspension of COR certification.

3. INFORMATION SECURITY AND MANAGEMENT	
Challenge Summary	The Department continues to face difficulties meeting the requirements of the Federal Information Security Management Act of 2002.
Actions Taken	The Department's information security program has benefited by a significant increase in funding and the recent addition of positions to address identified weaknesses. In response to an OIG request, the Department developed an information security Corrective Action Plan for 2014 with four goals aligned with six major goals. Substantial progress has been made in each area that not only includes improvements but also builds a foundation for additional gains in 2015. For example, during 2014, the Department's Sensitive but Unclassified and Secret general support systems, OpenNet and Classnet, completed assessment and were authorized to operate on March 31 and September 30, 2014, respectively.
Actions Remaining	The Department will leverage the investments and organizational changes to implement improvements in the Department's information security program, to include completion of ComplyVision (management software) integration for managing both Plans of Actions and Milestones and Systems Authorizations. Future efforts also include implementation of an enhanced component of ComplyVision to introduce scan results of network components gathered electronically.

4. FINANCIAL MANAGEMENT	
Challenge Summary	Financial management continues to be a significant management challenge for the Department.
Actions Taken	The Department received a clean ("unmodified") opinion from the external Independent Auditor on our 2013 Department-wide financial statements (in December 2013), including no reported material weaknesses in internal controls. In 2014, the Department sustained efforts to address and reduce weaknesses in financial reporting, property and equipment, budgetary accounting, unliquidated obligations, and information technology. For example, Bureaus are taking significant efforts to manage unliquidated obligations and we have reduced the extent of manual processes in our preparation of financial statements. The weakness related to retirement fund data was closed for 2014, and the Independent Auditor continues to provide an unmodified or "clean" opinion on our financial statements, clear of any material weaknesses. The Department conducted its assessment of internal controls over financial reporting in accordance with OMB Circular A-123 Appendix A and found them to be operating effectively resulting in an unqualified statement of assurance. We continue to bolster the Department's improper payments and recapture audit program, and in their 2013 annual assessment, the OIG found the Department's improper payments program to be in substantial compliance with IPIA.
Actions Remaining	The Department will continue efforts to address weaknesses in financial reporting, property and equipment, budgetary accounting, unliquidated obligations, and information technology.
5. MANAGING POSTS IN CONFLICT AREAS	
Challenge Summary	Managing the civilian presences in Iraq and Afghanistan remains a major challenge for the Department.
Actions Taken	The Department agrees that operating in high threat, high risk (HTHR) environments is dangerous, and that the Department must employ a separate check to ensure it is safe for employees to work in these locations. The Vital Presence Validation Process (VP2) was designed to support strategic decision-making regarding the overarching diplomatic presence in HTHR locations. For each HTHR post, we conduct a policy analysis outlining core national interests, risks, risk mitigation options, and resource constraints in order to determine whether it is in the United States' best interest to continue or restart operations. Through a VP2 analysis, we work to ensure the U.S. diplomatic presence at a HTHR post, at a strategic level, has a defined, attainable, and prioritized mission; a clear-eyed assessment of the risks and costs; a commitment of resources to mitigate risks; an explicit acceptance of un-mitigable costs/risks; and an awareness of when to leave and enable diplomacy from a distance.
Actions Remaining	The Department has completed VP2 analyses for five HTHR posts. An additional two analyses are in clearance at the highest levels of the Department, and analyses for another eight posts are currently underway. We expect to complete analyses on all 30 HTHR posts by April 2015. This will be an annual process, so VP2 analyses must be conducted on all HTHR posts every year. This process has been codified in the Foreign Affairs Manual.
6. RIGHTSIZING	
Challenge Summary	During a number of inspections, OIG questioned the Department's rationale for maintaining embassies, consulates, and other diplomatic facilities in certain locations considering the cost-benefits and the security concerns.
Actions Taken	The Department's rightsizing personnel work closely with Missions that exceed their own staffing projections over a five-year period of time, accounting for employed staff already in place. While rightsizing personnel constantly advocate for sensible and sustainable staffing growth at overseas missions, Chiefs of Mission hold ultimate responsibility for mission staffing levels.
Actions Remaining	The Department plans to begin work with Mission Kabul in late 2014 in expectation of submission of a rightsizing report by early 2015. This is being driven in part by the VP2 process and in part by recognition that there was little possibility of rightsizing Afghanistan in the uncertainty of troop levels and staffing. The Department is committed to producing a rightsizing review promptly.
7. FOREIGN ASSISTANCE COORDINATION AND OVERSIGHT	
Challenge Summary	Coordinating foreign assistance programs among agencies, Department bureaus, and missions is a continuing challenge as is the proper design and oversight of Department-managed assistance programs.
Actions Taken	The Department has coordinated a Foreign Assistance Data Review working group through the Enterprise Data Quality Initiative to clarify the needs of key stakeholders, develop a concept of operations for a data environment that meets those needs, and then define system requirements or changes as needed to achieve stated objectives.
Actions Remaining	The Foreign Assistance Data Review working group will clarify the needs of key stakeholders. The group will develop a concept of operations for a data environment and develop system requirements or changes as needed to achieve stated objectives.

8. CONSULAR OPERATIONS	
Challenge Summary	**Planning and preparing for continued growth in demand for consular services from both groups remains a challenge for the Department.**
Actions Taken	The protection of U.S. citizens abroad, national security, and the facilitation of legitimate travel to further U.S. economic prosperity remain high priorities. The Department's 1CA leadership and management initiative has empowered consular professionals worldwide to collaborate, share information, and develop solutions to operational challenges. For this reason, 1CA has transitioned from a temporary initiative and has been established as a permanent office. Hundreds of consular professionals have received classroom 1CA training on the Bureau's management framework and tools. In addition, over 3,000 individuals have been introduced to leadership, management, and innovation resources through a variety of mediums.
Actions Remaining	The Consular Consolidated Database (CCD) is a critical component of our operating capability and we are modernizing to improve system availability for the long term. The Department will upgrade the CCD to a newer version of the Oracle commercial database software by the second quarter of FY 2015. In conjunction with that software upgrade, we are installing new infrastructure and are building a robust redundancy to ensure the CCD's continuing functionality. This will protect against any issues with the primary system, as well as enable patching and other regular maintenance activities without system downtime.

9. LEADERSHIP	
Challenge Summary	**In FY 2014, inspectors identified leadership problems overseas and domestically.**
Actions Taken	The Department followed-up the 2013 pilot implementation of the Chief of Mission (COM) Survey with a worldwide distribution to 120 posts. Posts with COMs with less than six months of tenure in their positions were not surveyed. The instructions requested all direct hire American employees at post, including those from other agencies, to respond to the anonymous questionnaire. The Department achieved a 52 percent response rate. Aggregate and individual results have been accumulated. The Acting Director General has met with all Regional Bureau Assistant Secretaries to provide summary and individual results. The Department is examining developing a "resource" sheet for COMs who may wish to improve any areas of shortcoming.
Actions Remaining	The Department is developing a confidential electronic file for each subject COM, along with an overview letter, results explanation, and a resource sheet. The packages will be provided to each Regional Bureau Assistant Secretary to distribute in the manner they feel is most appropriate.

10. PUBLIC DIPLOMACY	
Challenge Summary	**The biggest challenge for public diplomacy is how to link programming to policy priorities.**
Actions Taken	The Department issued a comprehensive report in 2014 on Public Diplomacy and Strategic Communications. This report provides the strategic vision that will allow for enhanced links between programming and policy priorities. The Department has also begun a review utilizing a management consulting firm, already under contract within the Department, to provide an expert analysis and overview of the strategic Public Diplomacy agenda.
Actions Remaining	The Department will continue to enhance the role of program evaluations. Enhanced pre- and post- program evaluation will ensure resource allocation not only meet strategic needs but also help to measure effectiveness and viability of various programs and initiatives. In addition to an ongoing standardized data collection project, the Department as a whole will continue to update the Strategic Planning tools already being utilized domestically and overseas. These tools focus on strategic planning, program accountability, and resource tracking and reporting.