



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

STATEMENT BY  
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FY 2017 FUNDING REQUEST AND BUDGET JUSTIFICATION FOR  
THE U.S. DEPARTMENT OF STATE AND BROADCASTING BOARD OF GOVERNORS  
OFFICE OF INSPECTOR GENERAL

BEFORE THE

SENATE COMMITTEE ON APPROPRIATIONS:  
SUBCOMMITTEE ON STATE, FOREIGN OPERATIONS,  
AND RELATED PROGRAMS  
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FY 2017 FUNDING REQUEST AND BUDGET JUSTIFICATION FOR THE  
U.S. DEPARTMENT OF STATE

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Chairman Graham, Ranking Member Leahy, and Members of the Senate Appropriations Subcommittee on State, Foreign Operations, and Related Programs, thank you for the opportunity to submit a written statement to the subcommittee on behalf of the Office of Inspector General (OIG) for the U.S. Department of State (Department) and Broadcasting Board of Governors (BBG). It is my honor to have led OIG for the past 29 months, and I want to express my appreciation for the confidence the Appropriations Committee has shown in our oversight efforts by supporting an increase in the OIG budget in FY 2016. We used our FY 2015 appropriation to continue providing effective and efficient oversight of the Department and BBG. With the FY 2016 appropriation and the increase included in the President's FY 2017 budget request, I am confident we will continue to improve the Department's and BBG's programs and operations while identifying new challenges. I would like to outline what OIG considers to be the Department's major management challenges; highlight some of our recent work, including our efforts that are part of the coordinated interagency oversight of overseas contingency operations (OCO's); update you on the results of ongoing work that I referenced in my testimony last year; and address OIG's budget environment.

## **I. STATE OIG'S MISSION AND OVERSIGHT EFFORTS**

OIG's mandate is broad and comprehensive, involving oversight of the full scope of Department and BBG programs and operations, including more than \$41 billion in funding and more than 75,000 staff at more than 270 locations around the world. OIG's global mandate is demanding and includes a unique, statutorily imposed responsibility to audit and inspect every domestic and overseas operating unit once every 5 years. Since August 2014, when Congress amended the Inspector General Act to include provisions requiring the designation of a Lead Inspector General (LIG) for each OCO, OIG's mandate has expanded even further. I am the designated Associate IG for two OCOs: Operation Inherent Resolve, to degrade and defeat the Islamic State of Iraq and the Levant (ISIL), and Operation Freedom's Sentinel, to train, advise, and assist Afghan security forces and defeat the remnants of Al-Qaeda in Afghanistan.

Central to OIG's effective oversight is my annual responsibility to identify the most serious management and performance challenges the Department faced in the previous year and target OIG's oversight accordingly. For FY 2015, these challenges included:

- Protection of people and facilities
- Management of posts and programs in conflict areas
- Management of contracts and grants
- Information security and management
- Financial management

As in the past, OIG will continue focusing its oversight in these critical areas by identifying vulnerabilities and recommending positive, meaningful actions that the Department can take to mitigate these risks. I will now elaborate on our efforts to improve the Department's programs and operations.

## Protection of People and Facilities

Protecting our people and facilities overseas continues to be a top priority for both the Department and OIG. It is also a major management challenge for the Department because its personnel often must perform their duties in dangerous or unstable environments far from home. Since the September 2012 attack on U.S. personnel and facilities in Benghazi, Libya, OIG has conducted several reviews related to the Benghazi Accountability Review Board (ARB), which was convened to examine the facts and circumstances surrounding the attack. During FY 2015, we conducted additional oversight, including a compliance follow-up review to our September 2013 *Special Review of the Accountability Review Board Process*. In that review, OIG recommended that the Department develop minimum security standards that must be met before occupying facilities in Department-designated high-threat, high-risk locations.<sup>1</sup> Additionally, OIG's classified review of the implementation of the Benghazi ARB recommendations found that the Department completed almost half of the 29 recommendations, and was continuing to work on those that were still outstanding.<sup>2</sup>

In addition, OIG reviewed the Vital Presence Validation Process (VP2), in which the Department assesses whether posts in high-threat, high-risk locations should be opened, closed, or re-opened, and whether staffing levels are appropriate.<sup>3</sup> OIG found that establishing VP2 met the intent of the ARB recommendation. VP2 did not, however, explicitly address the ARB recommendation that this process also assess whether the posts' missions were attainable or their goals achievable.

OIG also continues to focus its attention on the security of all diplomatic facilities abroad and recognizes that the Department has taken steps to improve security. However, OIG's oversight efforts in FY 2015 continued to identify security deficiencies at a significant number of U.S. diplomatic facilities abroad.<sup>4</sup> OIG security inspectors issued 18 reports on the physical security and security programs of individual overseas missions. All of these

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<sup>1</sup> OIG, *Compliance Followup Review of the Special Review of the Accountability Review Board Process* (ISP-C-15-33, August 2015).

<sup>2</sup> OIG, *Review of the Implementation of the Benghazi Accountability Review Board Recommendations* (ISP-S-15-34, August 2015).

<sup>3</sup> OIG, *Audit of the Department of State Implementation of the Vital Presence Validation Process* (AUD-SI-15-37, August 2015).

<sup>4</sup> All of the reports are classified.

inspections found security deficiencies significant enough to warrant a recommendation and remediation; 58 percent of the almost 220 recommendations in the reports related to physical security, emergency preparedness, or life safety. In addition to the findings of these inspections, OIG audits<sup>5</sup> found physical security deficiencies at mission facilities or official residences. Although some of these deficiencies were due to mission growth and limited space, many resulted from longstanding vulnerabilities that the Department had not addressed because of limited funds or mismanagement.<sup>6</sup>

OIG also reported that the Department had developed new tools to identify and track physical security deficiencies; however, the Department has not fully implemented these tools. Until it does so, the Department will be unable to identify and address all physical security-related deficiencies. It also will be unable to make fully informed funding decisions because doing so requires the Department to have a complete understanding of its physical security needs.<sup>7</sup>

OIG's physical security oversight extended beyond physical structures. In FY 2015, OIG issued a management assistance report recommending the Department implement guidance for the proper storage of weapons of opportunity, such as flammable liquids, hand and power tools, and other material that could be used as weapons during attacks on U.S. diplomatic facilities overseas.<sup>8</sup> Our ongoing work in FY 2016 regarding physical security issues includes audits of Embassy Tripoli's emergency action plan and the Department's process for vetting locally employed staff and employees contracted overseas. We have inspected, or will inspect, individual post security programs in Egypt, the Democratic Republic of Congo, Turkey, and Pakistan. Looking beyond, we will continue to focus on the safety of Department personnel and keep you fully informed of our findings and recommendations in this critically important area.

## Management of Posts and Programs in Conflict Areas

The Department faces major challenges in responding to a broadening range of security

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<sup>5</sup> See, e.g., OIG, *Management Assistance Report: Residential Security Concerns at U.S. Embassy Ankara, Turkey* (AUD-CGI-15-38, July 2015); OIG, *Management Assistance Report: Residential Security Concerns at U.S. Embassy Manila, Philippines* (AUD-CGI-15-29, May 2015).

<sup>6</sup> Although the Department has a process for seeking waivers or exceptions where security standards cannot be met, none of the identified security deficiencies was subject to such waivers or exceptions. Reasons for the security deficiencies at residences of overseas personnel included: the Bureau of Diplomatic Security did not notify posts about substantial revisions to the Department's residential security program requirements in a timely manner, and Regional Security Officers did not understand these requirements or provide adequate oversight of post-specific residential security programs.

<sup>7</sup> OIG, *Compliance Follow-up Audit of Process to Request, Prioritize Physical Security-Related Activities at Overseas Posts* (AUD-ACF-16-20, December 2015).

<sup>8</sup> OIG, *Management Assistance Report: Importance of Securing Fire Accelerants and Similar Weapons of Opportunity (aka Weapons of Opportunity)* (ISP-S-15-06, January 2015).

and humanitarian crises in conflict zones. As of December 2014, more than 900 Foreign Service positions overseas were designated as unaccompanied tours of duty. Missions in countries such as Iraq, Afghanistan, and Pakistan are at the forefront of U.S. efforts to counter terrorism, stabilize fragile states, and respond to regional conflicts. The Department's FY 2017 congressional budget justification requested \$14.8 billion in overseas contingency operations (OCO) funds to support critical programs and operations. These programs include efforts to shield allies and partners from potential threats; to destroy ISIL; to address other crises in the Middle East and Africa; and to sustain security programs and embassy construction at high-risk posts.

The importance of OCO oversight led to the August 2014 amendment to the Inspector General Act of 1978, which charged me and two other IGs with additional responsibilities for overseeing current and future OCOs.

When I submitted testimony to this subcommittee last year, the Lead Inspector General for Overseas Contingency Operations (LIG-OCO) amendment had been triggered only two months earlier by Operation Inherent Resolve, directed against ISIL. The Department of Defense IG was appointed Lead IG for Operation Inherent Resolve, and he subsequently appointed me as Associate IG for oversight.

Over the past year, our three OIGs (Department of State, Department of Defense, and U.S. Agency for International Development) took on responsibility for two additional OCOs—Operation United Assistance (OUA) focused on the activities of the U.S. Government related to international Ebola response and preparedness,<sup>9</sup> and Operation Freedom's Sentinel, the contingency operation encompassing our continuing efforts in Afghanistan.

To provide this joint oversight, the three OIGs implement comprehensive joint strategic plans to ensure independent and effective oversight of all programs and operations supporting the OCOs. Throughout my testimony, I refer to work that my office has done in support of the LIG-OCO. More specifically, in FY 2015, we published nine oversight reports. In FY 2016, my office plans to issue, among others, audits addressing vetting of contractors and recipients of non-lethal aid in Syria and Afghanistan; audits of contracts and oversight staffing in Afghanistan and Iraq; inspections of embassies in Pakistan and Turkey; and an inspection of Mission Iraq's governance and public diplomacy programs in support of the President's counter-ISIL strategy.

The Department faces significant challenges managing OCO and other funding in conflict

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<sup>9</sup> The LIG-OCO response to OUA was initiated in February 2015 and terminated on June 30, 2015, although oversight of funding expended during OUA continues.

areas. Security-related travel restrictions on U.S. direct-hire personnel and sometimes on local Foreign Service National staff complicate these critical program management and oversight activities. To take just one example, humanitarian assistance activities in Syria are operated from neighboring countries, and embassies in Libya, Syria, and Yemen have suspended operations. In these locations and others, dangerous conditions make it extremely difficult to monitor and oversee programs and humanitarian assistance efforts. Nonetheless, U.S. national security priorities, the continued substantial investment of resources in these areas, and the need for interagency collaboration require continued and close engagement in these locations. Accordingly, OIG will continue to assist the Department in these efforts. Highlighted below are some selected findings and recommendations intended to improve the Department's management of these priority programs.

As part of its LIG-OCO oversight responsibilities, OIG reviewed whether the Bureau of Population, Refugees, and Migration (PRM) had sufficient internal controls over funds for the Department's humanitarian assistance and non-lethal aid programs in response to the Syrian crisis.<sup>10</sup> OIG's audits of almost \$450 million found problems with both the programs' performance and their financial monitoring, including PRM's failure to conduct adequate pre-award risk assessments or conduct post-award monitoring. OIG plans to inspect PRM in the spring of 2016.

As noted above, the difficult and dangerous conditions in and around conflict areas make appropriate management of resources more difficult. For example, after the 2012 Benghazi attack, Embassy Tripoli staff used 26 armored vehicles to evacuate to the U.S. Embassy in Tunis, Tunisia. Embassy Tunis had no need for the vehicles (valued at approximately \$5 million), so the vehicles remained stored and unused in a grass and dirt lot on the embassy compound.<sup>11</sup> OIG also found that management support platforms were under stress at a number of posts where security concerns and growing workloads often drive staffing decisions. At Embassy Amman, for example, OIG recommended that the Department address these issues, because political circumstances had transformed a formerly mid-size embassy into a large, front-line operation.<sup>12</sup>

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<sup>10</sup> OIG, *Audit of Department of State Humanitarian Assistance in Response to the Syrian Crisis* (AUD-MERO-15-22, March 2015); OIG, *Audit of Department of State's Management and Oversight of Non-Lethal Assistance Provided for the Syrian Crisis* (AUD-MERO-15-39, September 2015).

<sup>11</sup> OIG, *Management Assistance Report: Embassy Tripoli Armored Vehicles Available for Redistribution and Use* (AUD-MERO-15-28, May 2015).

<sup>12</sup> OIG, *Inspection of Embassy Amman, Jordan* (ISP-I-15-29A, June 2015).

## Management of Contracts and Grants (Including Foreign Assistance)

Each year since 2008, OIG has identified the Department's management of contracts and grants as a management challenge. This continues to be an area of OIG focus. In FY 2015, the Department spent almost \$16 billion on grants and fixed charges and almost \$15 billion in contractual services, totaling almost \$31 billion. This amount is more than 70 percent of the Department's FY 2015 spending. In November 2013, OIG began issuing management alerts and management assistance reports to Department leadership to alert it to significant issues that require immediate corrective action. Over the past two years, OIG has issued 27 such alerts and reports to the Department, nearly half of which concerned issues with contract and grants management. Notwithstanding OIG's ongoing emphasis on this critical area, OIG continues to identify significant vulnerabilities in the management and oversight of these funds.

OIG uses its resources not only to recommend specific improvements to Department programs and operations but also to hold accountable those who misuse Federal funds. Since my arrival in OIG in 2013, I emphasized referrals of individuals and contractors to the Department's Office of the Procurement Executive for possible suspension and debarment. We also have taken steps to prosecute procurement fraud cases more quickly and effectively. We have done so by having an OIG special agent-attorney designated as a Special Assistant U.S. Attorney. This individual works full-time as a prosecutor in the U.S. Attorney's Office for the Eastern District of Virginia, and focuses exclusively on OIG criminal and civil cases. Having a dedicated prosecutor serves as a strong deterrent, and OIG will continue to emphasize criminal and civil penalties in addition to available administrative remedies.

### *Contract Management*

In one of our earliest management alerts, issued in March 2014, we reported that Department contracts with a total value of \$6 billion had incomplete or missing contract files.<sup>13</sup> Despite this and other alerts, inspection and audit teams continue to identify problems and propose recommendations<sup>14</sup> to improve the effective use of taxpayer funds and minimize the risk of fraud, waste, or abuse.

The most recent example of the Department's ongoing challenge in properly managing contracts is detailed in the management assistance report that OIG issued last month on

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<sup>13</sup> OIG, *Management Alert – Contract File Management Deficiencies* (MA-A-0002, March 2014).

<sup>14</sup> See, e.g., OIG, *Inspection of Embassy Antananarivo, Madagascar* (ISP-I-15-20A, May 2015).

the use of purchase cards by Department posts.<sup>15</sup> Although posts using purchase cards are required to prepare an annual review to ensure these cards are not being misused, OIG found that during FY 2013 and FY 2014, almost \$33 million<sup>16</sup> in appropriated funds was vulnerable to fraud, waste, or abuse because posts did not do so.

OIG also found other significant weaknesses in contract administration and oversight. For example, we questioned spending on several significant contract awards, including the construction of the New Embassy Compound in London,<sup>17</sup> the Aviation Support Services Contract in Iraq<sup>18</sup> (\$26.9 million), and the Medical Support Services Contract in Iraq<sup>19</sup> (\$6.8 million). Insufficient and inexperienced government oversight staff and the dangerous locations where some of the work was performed contributed to these shortcomings. In one instance, the Department had only one contracting officer's representative monitoring all 15 task orders under the Iraq Medical Support Services contract, which was valued at \$1 billion. In another instance, the contracting officer assigned to the new London Embassy compound construction contract which was valued at more than \$400 million, was not sufficiently familiar with the type of contract vehicle being used by the Department.<sup>20</sup> As a result, the contracting officer awarded the contract without requiring the contractor to provide an explanation that addressed a difference of more than \$40 million between the initial and the final proposals.

In FY 2016 and beyond, OIG will continue its effort to address contracting issues, focusing particularly on LIG-OCO projects including Embassy Kabul's life-support contract (valued at \$750 million); Department compliance with critical-environment contracting policies; and additional oversight of the Baghdad Life Support Services contract. At the same time, OIG will monitor the Department's compliance with our recommendations to ensure that it mitigates vulnerabilities and protects taxpayer funds.

### *Grants Management*

OIG's work also continues to address the Department's ongoing challenge with the

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<sup>15</sup> OIG, *Management Assistance Report: Annual Purchase Card Program Reviews* (ISP-I-16-04, January 2016).

<sup>16</sup> That amount may be substantially greater (by almost \$20 million), as 24 posts for FY 2013 and 45 posts for FY 2014 did not respond to requests for information on their annual reviews.

<sup>17</sup> OIG, *Audit of the Construction Contract Award and Security Evaluation of the New Embassy Compound London* (AUD-CGI-15-31, July 2015).

<sup>18</sup> OIG, *Audit of the Bureau of International Narcotics and Law Enforcement Affairs Aviation Support Services Contract in Iraq* (AUD-MERO-15-35, July 2015).

<sup>19</sup> OIG, *Management Assistance Report: Concerns with the Oversight of Medical Support Service Iraq Contract No. SAQMMMA11D0073* (AUD-MERO-15-20, December 2014); *Audit of the U.S. Mission Iraq Medical Services* (AUD-MERO-15-25, May 2015).

<sup>20</sup> AUD-CGI-15-31, July 2015.

administration and oversight of grants.<sup>21</sup>

During the year, OIG audit and inspection teams repeatedly found issues with grants management at locations around the world. These problems occurred at all points in the process: OIG found insufficient training, ineffective monitoring, and poor closeout procedures. Indeed, OIG found grants management problems at more than 80 percent of the posts it inspected; and in one inspection of a domestic bureau,<sup>22</sup> none of the 31 grant files reviewed (totaling \$38 million) had monitoring plans to ensure the funds were used for their intended purpose. Audits of other sensitive programs concerning international nonproliferation activities found problems with combined awards of nearly \$40 million.<sup>23</sup>

Vulnerabilities extend to the Department's programs with external partners. OIG's audit of the National Endowment for Democracy (NED) found that over the course of 9 years the Department awarded more than \$960 million to NED. The Department did not, however, conduct required audits or comply with other monitoring requirements. Moreover, it did not include the audit requirement in the grant agreement.<sup>24</sup>

In FY 2016, OIG plans to issue audits on grant oversight staffing in Iraq and Afghanistan, as well as on the Antiterrorism Assistance program.

## Information Security and Management

Another top management challenge concerns information security and management. It is imperative that the Department safeguard sensitive information, which is often targeted by multiple actors, including terrorist and criminal organizations. The Department must preserve and protect classified and other sensitive information vital to the preservation of national security. This responsibility applies not only in its Washington, D.C., headquarters and other domestic facilities, but also in high-risk environments across the globe. The Department spent approximately \$1.4 billion on information technology (IT) in FY 2015. The same year, cybersecurity incidents illustrated deficiencies in efforts to protect its computer networks. Malicious actors exploited vulnerabilities, potentially compromising sensitive information and delaying or halting normal business operations.

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<sup>21</sup> OIG, *Audit of Department of State Oversight Responsibilities, Selection, and Training of Grants Officer Representatives* (AUD-CG-15-33, June 2015).

<sup>22</sup> OIG, *Inspection of the Bureau of Political-Military Affairs* (ISP-I-15-27, June 2015).

<sup>23</sup> OIG, *Audit of the Bureau of International Security and Nonproliferation Administration and Oversight of Foreign Assistance Funds Related to the Export Control and Related Border Security Program* (AUD-SI-15-23, April 2015); OIG, *Audit of the Bureau of International Security and Nonproliferation Administration and Oversight of Foreign Assistance Funds Related to the Global Threat Reduction Program* (AUD-SI-15-41, September 2015).

<sup>24</sup> OIG, *Management Assistance Report: Oversight of Grants to the National Endowment for Democracy* (AUD-SI-15-34, June 2015).

## *Information Security*

OIG issued its first management alert in November 2013<sup>25</sup> identifying significant, recurring weaknesses in the Department's information system security program. OIG continues to identify concerns with various components of the Department's information technology and information security programs, as well as with the Department's efforts to protect its computer networks and, in turn, its information.

In my February 2015, testimony to this subcommittee, I referenced independent penetration testing that was ongoing in response to concerns I raised with the Department about the system's vulnerabilities to cyber attack. That testing, and a separate audit that documented the Department's failure to perform security assessments regularly on its wireless networks, resulted in recommendations that the Department is working to address.<sup>26</sup> These audits are in addition to OIG's annual Federal Information Security Management Act reviews, which repeatedly identify, and make recommendations to correct, the same or similar information security issues.<sup>27</sup> Many of these reports' findings and recommendations are classified, but my staff and I would be happy to provide the subcommittee a separate briefing on those findings.

OIG also reported to the Department this month that the Department's IT contingency planning continues to need improvement. Instability in many regions of the world, including attacks and threats against the Department's personnel and diplomatic facilities, demonstrates the need for contingency planning. In particular, these risks illustrate the importance of having systems in place to maintain communications and continuity of business operations during periods of disruption.

OIG emphasized that the Department has yet to implement recommendations from a 2011 OIG report advising that bureaus and posts develop and test information technology contingency plans as part of their emergency preparedness activities.<sup>28</sup> Moreover, OIG identified IT contingency planning deficiencies in 69 percent of overseas inspections performed during FYs 2014 and 2015. The issues identified ranged from information management staff at posts not developing, updating, or testing IT contingency plans to

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<sup>25</sup> OIG, *Management Alert: OIG Findings of Significant and Recurring Weaknesses in the Department of State Information System Security Program* (AUD-IT-14-04, November 2013).

<sup>26</sup> OIG, *Remote and Deployed Operations Integrated Cyber Operations Red Team After Action Report, -U.S. Department of State* (AUD-IT-15-15, February 2015); OIG, *Management Assistance Report – Department of State Security Program for Wireless Networks* (AUD-IT-15-27, May 2015). Both reports are classified.

<sup>27</sup> OIG, *Audit of the Department of State Information Security Program* (AUD-IT-16-16, November 2015).

<sup>28</sup> OIG, *Management Assistance Report: Continued Deficiencies Identified in Information Technology Contingency Planning* (ISP-16-05, February 2016).

plans that lacked appropriate key stakeholders and contact information as part of emergency preparedness.

OIG also reported this month significant weaknesses in the Department's cyber-security incident response and reporting program.<sup>29</sup> An evaluation of the Department's efforts to respond to incidents (including denial-of-service, malicious code, and unauthorized access) showed that the Department had not complied with its own information security policies in more than 55 percent of the incidents that OIG reviewed. The Department concurred with the recommendations, and OIG will monitor implementation efforts.

IT weaknesses at home also contribute to this ongoing challenge for the Department. The Bureau of Consular Affairs' (CA) Consular Consolidated Database (CCD) experienced major system failures in the busy summer seasons of 2014 and 2015. This unreliability undermined CA's ability to provide consular services that protect U.S. citizens abroad and that facilitate the entry of legitimate foreign visitors and immigrants consistent with ensuring U.S. border security. CA is upgrading hardware and modernizing CCD's various databases and plans to launch a new system to replace the current CCD. OIG will continue to monitor CA's progress and will inspect CA's Office of Consular Systems and Technology in the spring of 2016.

### *Information Management*

Information security is not the only IT-related challenge the Department faces. In FY 2015, OIG found persistent problems in records management in almost 65 percent of the inspections that it conducted. OIG also reported on the weaknesses in the Department's decentralized records management processes,<sup>30</sup> and it determined that Department leadership had not played a meaningful role in overseeing or reviewing the quality of responses to Freedom of Information Act (FOIA) requests.<sup>31</sup> OIG will continue its oversight work on records management in FY 2016.

OIG's current work includes an audit of the Department's IT capital planning process. In FY 2014, the Department reported that it had spent \$1.4 billion on 83 IT investments that support Department operations, ranging from property management to passport and visa systems. OIG is now auditing how the Department selects and approves IT investments, including whether the Department submits accurate and complete information to the Office of Management and Budget on those IT investments as required. We expect this

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<sup>29</sup> OIG, *Management Assistance Report: Department of State Incident Response and Reporting Program* (AUD-IT-16-26, February 2016).

<sup>30</sup> OIG, *Review of State Messaging and Archive Retrieval Toolset and Record Email* (ISP-I-15-15, March 2015).

<sup>31</sup> OIG, *Evaluation of the Department of State's FOIA Processes for Requests Involving the Office of the Secretary* (ESP-16-01, January 2016).

work to be published in the spring.

## Financial Management

Since OIG's audit of the Department's FY 2009 financial statements, OIG has identified material weakness and significant deficiencies in the Department's controls over financial reporting. The FY 2015 audit<sup>32</sup> reported similar significant internal control deficiencies related to financial reporting, including property and equipment; budgetary accounting; unliquidated obligations; and information technology.

Providing adequate oversight and coordination of foreign assistance resources also remains a challenge for the Department because the Department's financial management systems are not designed to track and report on foreign assistance funds. This situation, in turn, creates a systemic problem for the Department, which hinders effective coordination and oversight. As we reported in a management assistance report,<sup>33</sup> the Department's core financial systems do not track foreign assistance funding and expenditures by program, project, country, region, or purpose (sector), even though Department and individual bureaus need this information to track and manage their foreign assistance funds and respond to external queries. For example, when OIG seeks to identify and analyze the range of the Department's foreign assistance activities in a single, given country, we must routinely consult numerous different data sources and consolidate them ourselves. Department bureaus with foreign assistance funds have spent millions of dollars and an inordinate amount of time on alternative systems and processes to fill this gap. These efforts have had, at best, limited success, and do not substitute for more systemic reforms.

OIG's current work includes a review of the Department's financial management processes and methodologies for setting the Working Capital Fund, certain visa fees, and Foreign Service allowances. We will also examine the strategic sourcing initiative to determine whether the Department has implemented the required procurement consolidation of common items to ensure the best cost.

## II. IMPACT OF OIG WORK

Through its audits, evaluations, inspections, and investigations, OIG returns significant value to U.S. taxpayers. The conclusion of FY 2015 marked the end of my second full year

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<sup>32</sup> OIG, *Independent Auditor's Report on the U.S. Department of State, 2015 and 2014 Financial Statement* (AUD-FM-16-09, November 2015).

<sup>33</sup> OIG, *Management Assistance Report: Department Financial Systems Are Insufficient to Track and Report on Foreign Assistance Funds* (ISP-I-15-14, February 2015).

as Inspector General at the Department of State, and I am delighted to report on OIG's results over the past 2 years.

In FY 2015, OIG published 113 products related to the programs and operations of the Department and BBG, a 47 percent increase over FY 2014. These products included audits of annual financial statements, procurement activities, and funds management; inspections of operations and facilities across the globe; and management alerts and management assistance reports addressing vulnerabilities requiring agency leadership's prompt action. In addition, in FY 2015, OIG identified nearly \$212 million in monetary benefits, including \$157 million in taxpayer funds that could be put to better use; in FY 2014 the results were nearly \$122 million. OIG's FY 2015 criminal, civil, and administrative investigations resulted in 43 criminal actions, including arrests, indictments and convictions, nearly double our FY 2014 results. Similarly, contractor and grantee suspensions and debarments more than doubled in FY 2015.

Since 2008, OIG has issued more than \$1.5 billion in audit- and inspection-related findings and investigative-related financial results. These efforts have, on average, led to more than \$3 in potential and realized monetary benefits for every dollar spent on OIG oversight.

Even though these accomplishments have resulted in significant savings to the U.S. taxpayer, such financial results do not fully measure OIG's most significant contribution—namely, OIG's efforts to improve the safety of U.S. personnel and facilities and strengthen the integrity of the programs, operations, and resources that are at the foundation of the Department's ability to help preserve national security and interests.

### **III. OIG RESOURCES**

I am very grateful for your support and the additional financial resources that OIG has received over the past 3 years, and I would like to express my thanks to this Subcommittee, the Committees on Appropriations, and both Houses of Congress. Our budget requests have been substantially supported by the Administration, and we are grateful for its support as well. These resources have enabled OIG to better fulfill its mission. Nonetheless, we still face significant challenges in addressing our large and growing mandate. Just since my arrival, we have undertaken new oversight activities mandated by the DATA Act to ensure that Federal expenditures are reported accurately and transparently, and by the LIG-OCO provisions of the IG Act. Currently, more than 60 percent of OIG's oversight work is mandated, which significantly limits our ability to conduct discretionary work.

The OCO mandate has had a particularly significant effect on OIG's operations. Approximately two-thirds of OIG's FY 2016 appropriation increase—\$6.27 million—was

designated to fund 16 positions to meet our LIG-OCO oversight responsibilities. In addition, our FY 2016-2017 work plan includes 16 LIG-OCO projects and 2 supporting investigative efforts. This necessarily reduces oversight resources for other mission-critical priorities and operational needs. Other challenges we face include:

- OIG's statutory obligation to inspect and audit every bureau and post once every 5 years.<sup>34</sup> One of the most important functions of our inspection work is ensuring the safety and security of personnel and facilities overseas. We are piloting a more focused, risk-based inspection process to address the growing backlog, but our inspection mandate still absorbs approximately one-quarter of OIG's annual appropriation.
- Department contracts, particularly in high-risk, high-cost programs and operations, such as Afghanistan, have grown substantially. For example, in the last 6 years, the Department's annual procurements for contracted services and supplies have more than tripled from approximately \$4 billion to \$14.8 billion.
- OIG must strengthen the security of its sensitive electronic information that now resides on the Department's network. We will accomplish this by transitioning OIG to an independent IT network, a change that I anticipate will be complete by the end of the fiscal year.

In conclusion, Chairman Graham, Ranking Member Leahy, and Members of the Subcommittee, thank you for the opportunity to highlight some of our significant oversight work and for your continued strong support. We take seriously the statutory requirement to identify instances of fraud, waste, abuse, and mismanagement and to notify Congress, agency leadership, and the public of these deficiencies. My staff and I remain committed to promoting the economy, efficiency, and effectiveness of the Department and BBG, as well as to protecting the safety and security of their employees and facilities and sensitive information around the world. As always, I would be happy to answer your questions and provide more information on any of our past, present, or future work.

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<sup>34</sup> Congress routinely waives this timeframe requirement.