



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

**"IMPROVING THE EFFICIENCY AND EFFECTIVENESS
OF THE DEPARTMENT OF STATE"**

**STATEMENT BY
STEVE A. LINICK
INSPECTOR GENERAL FOR THE U.S. DEPARTMENT OF STATE
AND THE BROADCASTING BOARD OF GOVERNORS**

**BEFORE THE COMMITTEE ON FOREIGN RELATIONS,
SUBCOMMITTEE ON STATE DEPARTMENT AND
USAID MANAGEMENT, INTERNATIONAL OPERATIONS,
AND BILATERAL INTERNATIONAL DEVELOPMENT**

**UNITED STATES SENATE
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Chairman Perdue, Ranking Member Kaine, and Members of the Subcommittee, thank you for inviting me to testify today regarding the work of the Office of Inspector General (OIG) for the Department of State (Department) and the Broadcasting Board of Governors (BBG). In my testimony, I will highlight some of our recent oversight work, our new initiatives, and the challenges we face in performing our oversight. I will also address the results and impact of OIG work.

I. STATE OIG'S MISSION AND OVERSIGHT EFFORTS

It is my honor to have led the State OIG for the past 19 months—since the end of September 2013. OIG's mandate is broad and comprehensive, involving oversight of the full scope of Department and BBG programs and operations, including more than 72,000 employees and 280 overseas missions and domestic entities, as well as the U.S. Section of the International Boundary and Water Commission. These agencies are funded through combined annual appropriations of approximately \$15 billion and nearly \$7 billion in consular fees and other income. OIG also is responsible for full or partial oversight of an additional \$17 billion in Department-managed foreign assistance. In total, OIG is responsible for overseeing approximately \$40 billion.

State OIG differs from most OIGs in that it has a mandated inspection function. We are statutorily required to periodically inspect and audit every domestic and overseas operating unit around the world. Since the beginning of my tenure, we have redoubled our efforts to address some of the top challenges of the Department, including the protection of people and facilities, the management of contracts and grants, and the security of sensitive information around the world. I will elaborate on each of these.

Improving Security

Protecting the people who work for the Department is a top priority for the Department and for OIG. OIG has inspected physical security at overseas posts for years; however, since the September 2012 attacks on U.S. diplomatic facilities and personnel in Benghazi, Libya, OIG has significantly stepped up its oversight efforts related to security, including targeted audits and evaluations. We help safeguard the lives of people who work in or visit our posts abroad by performing independent oversight to help the Department improve its security posture. Unlike our other oversight activities, as well as more traditional government-wide work conducted by the Inspector General (IG) community, we cannot attach a dollar-value metric to our efforts related to improving physical security, which often involve costs related to improving security rather than saving money. Achievement in this area is not reflected in our monetary "return on investment" statistics. However, our security contributions are a great source of pride because people are the Department's most valuable asset. OIG will continue to highlight security deficiencies to the Department and Congress and will continue to provide value-added recommendations to address vulnerabilities.

Although the Department has made significant improvements on overseas security, challenges remain. Through our inspection and audit work, OIG continues to find security deficiencies that put our people at risk. Those deficiencies include failing to observe set-back and perimeter requirements and to identify and neutralize weapons of opportunity. Our teams also identified posts that use inadequately secured warehouse space and other sub-standard facilities for offices.¹ Our audit of the Local Guard Program found that firms providing security services for embassy compounds were not fully performing all vetting requirements contained in the contract, placing our posts and personnel at risk. The audit also found that regional security officers at posts could not demonstrate that they vetted and approved the local guards employed to protect their posts.² In other reports, we found that the Bureau of Diplomatic Security (DS) (responsible for carrying out ongoing security functions and for setting security standards) and the Bureau of Overseas Buildings Operations (responsible for constructing facilities to meet those standards) often do not coordinate adequately to address important security needs in a timely manner.³ In accordance with OIG recommendations, those bureaus have taken steps to improve their communication and coordination. OIG will, through its compliance process, closely monitor whether these steps actually sustain improved joint performance to mitigate security vulnerabilities.

OIG also has examined the Department's reviews of, and lessons learned from, significant security incidents that result in the death of U.S. Government personnel and may require the appointment of an Accountability Review Board (ARB). For example, in September 2013, OIG published a report on its special review of the ARB Process.⁴ The Secretary of State convenes an ARB when serious injury, loss of life, or significant destruction of property occurred at or related to a U.S. Government mission abroad. The most recent ARB was convened following the 2012 attacks in Benghazi.

OIG's special review examined the process by which the Department's ARBs are established, staffed, supported, and conducted as well as the manner in which the Department tracks the implementation of ARB recommendations. We found that follow-through on long-term security program improvements involving physical security, training, and intelligence-sharing lacked sustained oversight by the Department's most senior leaders. Over time, implementation of recommended improvements slows. The lack of follow-through explains, in part, why a number of Benghazi ARB recommendations mirror previous ARB recommendations. This underscores the need for a sustained commitment by the Department's most senior leaders to ensure that ARB recommendations are timely and effectively carried out.

¹ *Review of Overseas Security Policy Board Exceptions and Secure Embassy Construction and Counterterrorism Act of 1999 Waivers* ([ISP-I-13-06](#), January 2013).

² *Audit of Contractor Compliance With and Department of State Oversight of the Process Required for Vetting Local Guards* ([AUD-HCI-14-24](#), June 2014).

³ *Inspection of the Bureau of Diplomatic Security, High Threat Programs Directorate* ([ISP-I-14-23](#), September 2014); *Compliance Follow-up Review of the Bureau of Overseas Buildings Operations* ([ISP-C-11-26](#), May 2011); *Audit of the Process To Request and Prioritize Physical Security-Related Activities at Overseas Posts* ([AUD-FM-14-17](#), March 2014).

⁴ *Special Review of the Accountability Review Board Process* ([ISP-I-13-44A](#), September 2013).

OIG continues to increase its focus on security issues. OIG currently is following up on the Department's compliance with OIG recommendations in the ARB special review. OIG also is reviewing the Department's reported compliance with the 29 recommendations in the Benghazi ARB report. In addition, FY 2015 security audits (planned or ongoing) include an audit of compliance with vetting requirements for locally employed staff and foreign contractors, an audit of emergency action plans for U.S. Missions in the Sahel region of Africa, and an audit of the Vital Presence Validation Process (VP2). VP2 is the Department's formal process for assessing the risks and costs of maintaining its presence in dangerous locations around the world. Finally, our inspection of DS' International Programs Directorate will underscore and support our ongoing priority focus on security.

Improving Oversight of Contracts and Grants

Contracts and grants have become increasingly critical to the Department's mission as it takes on additional responsibilities that require the services of contractors to manage. The Department's obligations in FY 2014 included approximately \$9 billion for contracted services and \$1.5 billion in grants.⁵ However, the Department faces continuing challenges managing its contracts, grants, and cooperative agreements because of systemic weaknesses that have not been effectively addressed. These challenges have come to light repeatedly in OIG audits, inspections, and investigations over the years. They also were highlighted in two recent OIG Management Alerts provided to senior Department officials.

In FY 2014, more than 50 percent of post or bureau inspections contained formal recommendations to strengthen controls and improve the administration of grants. In our March 2014 Management Alert focusing on contract management deficiencies, we reported that, over the past 6 years, files relating to Department contracts with a total value of more than \$6 billion were either incomplete or could not be located at all.⁶ In a September 2014 Management Alert on grant management deficiencies, we highlighted weaknesses in oversight, insufficient training of grant officials, and inadequate documentation and closeout of grant activities.⁷ In FY 2012 alone, the Department obligated more than \$1.6 billion for approximately 14,000 grants and cooperative agreements worldwide.⁸ This is a significant outlay of taxpayer funds, which makes oversight and accountability even more critical. Grants and cooperative agreements present special oversight challenges because, unlike contracts, they imply a hands-off style of "management" and do not generally require the recipient to deliver specific goods or services that can be measured easily. To better utilize grant and cooperative agreement dollars, the Department must determine what can be measured to document the achievement of objectives, including tracking and measuring outcomes.

⁵ USASpending, <www.usaspending.gov>, accessed on February 19, 2015.

⁶ *Management Alert: Contract File Management Deficiencies* ([MA-A-0002](#), March 20, 2014).

⁷ *Management Alert: Grants Management Deficiencies* ([MA-14-03](#), September 26, 2014).

⁸ U.S. Government Accountability Office, STATE DEPARTMENT, *Implementation of Grants Policies Needs Better Oversight* ([GAO-14-635](#), July 2014).

The Department has agreed to adopt most of the recommendations in OIG's Management Alerts. OIG will continue to monitor the Department's compliance with OIG recommendations and seek additional improvements in this important area.

Enhancing Information Security

Another top management challenge concerns information security. The Department is entrusted with sensitive information, both classified and unclassified, which continuously is targeted by entities, including terrorist and criminal organizations across the globe. OIG's assessments of the Department's cybersecurity programs found recurring weaknesses and noncompliance with the Federal Information Security Management Act (FISMA) with respect to its unclassified systems. For example, we found: (1) that the Department's unclassified systems lacked adequate controls, allowing unauthorized individuals to access and manipulate systems; (2) ineffective security scanning; and (3) weaknesses in cybersecurity management, including the absence of a strategic plan. In a November 2013 Management Alert,⁹ I raised these concerns with senior Department officials, recommending, among other things, that independent penetration testing be conducted to assess the system's vulnerabilities to cyber attack. This effort has been completed.

II. NEW OIG INITIATIVES

Since joining OIG, I have implemented a number of new initiatives to enhance the effectiveness and efficiency of OIG's independent oversight of the Department's programs and operations.

Management Alerts and Management Assistance Reports

Soon after my arrival, we began to issue Management Alerts¹⁰ and Management Assistance Reports.¹¹ They alert senior Department leadership to significant issues that require immediate corrective action. For example, we issued two Management Assistance Reports recommending that the Department take immediate action against grantees who misused grant funds.¹² The Department's response to these products has been favorable, and it has concurred with most of our recommendations.

⁹ *Management Alert: OIG Findings of Significant and Recurring Weaknesses in the Department of State Information System Security Program* ([MA-A-0001](#), November 12, 2013).

¹⁰ *Ibid*; *Management Alert: Contract File Management Deficiencies* ([MA-A-0002](#), March 2014); *Management Alert: Grants Management Deficiencies* ([MA-14-03](#), September 2014).

¹¹ *Management Assistance Report: Department Financial Systems Are Insufficient To Track and Report on Foreign Assistance Funds* (ISP-I-15-14, February 26, 2015); *Management Assistance Report: Military Liaison Elements* (ISP-S-15-12, February 11, 2015); *Management Assistance Report: Grant Improprieties by Nour International Relief Aid* ([AUD-CG-15-19](#), January 15, 2015); *Management Assistance Report: Importance of Securing Fire Accelerants and Similar Weapons of Opportunity* (ISP-S-15-06, January 13, 2015); *Management Assistance Report: Concerns with the Oversight of Medical Support Service Iraq Contract No. SAQMMA11D0073* ([AUD-MERO-15-20](#), December 23, 2014); *Management Assistance Report: Termination of Construction Grants to Omran Holding Group* ([AUD-CG-14-37](#), September 18, 2014).

¹² As a result, the Department took action to address each of these reports. For one, the Department disallowed certain costs; for the other, the Department requested certain information from the grantee to determine whether costs are allowable.

Moreover, Congress also recognized their value. The explanatory statement to the FY 2015 Omnibus Appropriations bill included language directing the Secretary of State to submit to Congress a report detailing the status of each of the recommendations included in OIG's FY 2014 Management Alerts. The Department responded to this directive last month indicating concurrence and resolution of most of OIG's recommendations.

Office of Evaluations and Special Projects

The Office of Evaluations and Special Projects (ESP) was established in 2014 to enhance OIG's oversight of the Department and BBG. In particular, ESP undertakes special evaluations and projects and complements the work of OIG's other offices by further developing the capacity to focus on broader, systemic issues. For example, in October 2014, ESP published a review of selected internal investigations conducted by DS,¹³ which addressed allegations of undue influence by Department management. Currently, ESP is undertaking a joint review with the Department of Justice OIG of a number of shooting incidents in Honduras in 2012, which involved Drug Enforcement Administration (DEA) and Department of State personnel.

Emphasis on Whistleblower Protections

OIG is also using ESP to improve OIG's capabilities to meet statutory requirements of the Whistleblower Protection Enhancement Act of 2012 and other whistleblower statutes and policies. Department employees, employees of contractors and grantees, and others have been encouraged to report fraud, waste, abuse, and misconduct. Such reporting must take place without fear of retaliation. We designated an ombudsman (a senior ESP attorney) for these purposes. We also produced an educational video and published a guide regarding whistleblower protections, both of which are available on our website.¹⁴

Oversight of Overseas Contingency Operations

Through a 2014 amendment to the Inspector General Act of 1978 (IG Act), Congress tasked the IG community with the important responsibility of providing oversight for our nation's overseas contingency operations (OCOs). Three OCOs have been established in recent months: Operation Inherent Resolve (OIR), to degrade and defeat the forces of the Islamic State in Iraq and the Levant (ISIL); Operation United Assistance (OUA), to support international efforts to fight the Ebola outbreak in Africa; and Operation Freedom's Sentinel (OFS), to partner with Afghan forces to combat terrorism and continue assisting the Afghan Government to build its capacity and self-sufficiency.

The amendment specified that the three OIGs for the Departments of Defense (DoD) and State and the U.S. Agency for International Development (USAID) share this responsibility jointly. Each of the respective OIGs has dedicated staff to these important projects.

¹³ *Review of Selected Internal Investigations Conducted by the Bureau of Diplomatic Security* (October 2014, [ESP-15-01](#)).

¹⁴ OIG, Whistleblower Protection, <<http://oig.state.gov/hotline/whistleblower>>.

Jon T. Rymer, DoD's IG, was designated Lead Inspector General (LIG) for each of the three current OCOs. On December 18, 2014, Mr. Rymer appointed me as his Associate IG for OIR. He tasked me to develop joint investigative capabilities among the IG personnel and external partner agencies dedicated to the effort. For each of the three OCOs, we are working jointly on: (1) strategic planning, to provide comprehensive oversight of all programs and operations in support of the OCOs; (2) program management, to track, monitor, and update information provided by our agencies in support of the OCOs; and (3) communications, to collect information and prepare periodic reports for Congress on projects related to the OCOs.¹⁵ On March 31, 2015, we issued our FY 2015 *Joint Strategic Oversight Plan for OIR*.

Data and Technology

OIG is developing an automated evidence tracking system to enhance evidence processing accuracy and efficiency and employee computer-forensics and data-processing. Further, we are building the capacity of our new data analytics group and developing a fusion cell consisting of special agents, forensic auditors, criminal analysts, and computer specialists. This group of specialists will enable all of our divisions to proactively analyze financial and other data to identify potential vulnerabilities in Department programs and processes and to perform fraud risk assessments.

Suspension and Debarment

We have enhanced our efforts to identify and refer appropriate cases to the Department for suspension and debarment. Our Office of Investigations and Office of Audits prepare detailed suspension and debarment recommendation packages, in consultation with our Office of General Counsel. These recommendation packages include referral memoranda summarizing all relevant facts and setting forth the specific grounds for suspension or debarment and are submitted to the Department's Suspension and Debarment Officials (SDOs) for action. Between FY 2011 and FY 2014, OIG referred more than 100 cases to the Department for action.

New Locations

To further enhance our oversight efficiency and to have "boots on the ground" at key financial locations, OIG placed staff in Charleston, South Carolina, where the Department's Global Financial Services Center is located, and soon OIG staff will reside in Frankfurt, Germany, the site

¹⁵ Oversight of three OCOs has proven to be a significant challenge for OIG. OIG did not receive additional funding for OCO oversight in 2015. In 2016, OIG received a total budget increase of \$9 million, which the Office of Management and Budget passback stated is intended "to address any expanded oversight requirements resulting from the FY 2015 counter-ISIL OCO budget amendment and the Counterterrorism Partnership Fund (CTPF), if enacted." Until the scope of the OIR response is fully developed, OIG can neither predict the resources needed for effective oversight nor the resources needed for the other two OCO established recently. Presently, OIG's oversight of all three OCOs is being funded through its existing resources, a situation that necessarily reduces oversight for our other mission-critical priorities and operational needs.

of one of the Department's regional procurement centers.¹⁶ Both locations are responsible for billions of U.S. taxpayer dollars.

Investigation and Prosecution of Cases

OIG has a program to place one or more Special Assistant U.S. Attorneys (SAUSAs) in appropriate positions in the Department of Justice in order to prosecute more quickly and effectively cases involving fraud against the Department of State. For example, an OIG attorney-investigator now works as a full-time SAUSA in the U.S. Attorney's Office for the Eastern District of Virginia.

III. CHALLENGES OIG FACES IN PERFORMING OVERSIGHT

Next, I want to address two challenges that impede OIG's ability to conduct effective oversight and are generally inconsistent with practices in the IG community.

OIG Network Vulnerabilities

Vulnerabilities in the Department's unclassified network directly affect OIG's IT infrastructure, which is part of the same network. We noted in our November 2013 Management Alert on information security that there are thousands of administrators who have access to the Department's computer network. That access runs freely throughout OIG's IT infrastructure and increases risk to OIG operations. For example, a large number of Department administrators have the ability to read, modify, or delete any information on OIG's network including sensitive investigative information and email traffic, without OIG's knowledge.¹⁷ OIG has no evidence that administrators have compromised OIG's network. At the same time, had OIG's network been compromised, we likely would not know. The fact that the contents of our unclassified network may be easily accessed and potentially compromised places our independence at unnecessary risk and does not reflect best practices within the IG community. OIG seeks to transition to an independently managed information system, which will require the Department's cooperation¹⁸ and support from Congress.

Right of First Refusal To Investigate Allegations of Criminal or Other Serious Misconduct

Unlike other OIGs, my office is not always afforded the opportunity to investigate allegations of criminal or serious administrative misconduct by Department employees. Department components, including DS, are not required to notify OIG of such allegations that come to their attention. For example, current Department rules provide that certain allegations against chiefs of mission shall be referred for investigation to OIG *or* DS. However, that guidance further

¹⁶ OIG currently has staff located in Afghanistan and Pakistan.

¹⁷ Recently, DS and the Bureau of Information Resource Management agreed to notify and receive confirmation from OIG prior to accessing OIG systems in most circumstances.

¹⁸ Secretary Kerry and Deputy Secretary Higginbottom are aware of this issue.

states that “[in] exceptional circumstances, the Under Secretary for Management may designate an individual or individuals to conduct the investigation.”¹⁹ Thus, DS or the Under Secretary may initiate an investigation without notifying us or giving us the opportunity to evaluate the matter independently and become involved, if appropriate. Accordingly, OIG cannot undertake effective, independent assessments and investigations of these matters as envisioned by the IG Act.²⁰

The directives establishing this arrangement appear to be unique to the Department. By contrast, the Departments of Defense, Justice, Homeland Security, the Treasury (and the IRS), and Agriculture, all of which had within them significant law enforcement entities prior to the establishment of their respective offices of Inspector General (OIG), defer to their OIGs for the investigation of criminal or serious administrative misconduct by their employees or with respect to their programs. Notice must be provided by all agency components to their respective OIGs of, at a minimum, allegations of misconduct by senior employees. In some agencies, notice must be provided of such allegations with respect to all employees. The respective OIGs have the right to decide whether to conduct investigations themselves or refer matters back to the relevant agency component for investigation or other action. However, in some cases, when requested by OIG to do so, the relevant agency component to which the OIG referred back the matter must report to the OIGs on the progress or the outcome of investigations.²¹

Particularly where senior officials are involved, the failure to refer allegations of misconduct to an independent entity like OIG necessarily creates a perception of unfairness, as management is seen to be, as the U.S. Government Accountability Office (GAO) notes, “investigating itself.”²²

¹⁹ As outlined in the *Foreign Affairs Manual* (FAM), [3 FAM 4322.2](#), “Chiefs of Mission,” states, “Incidents or allegations which could serve as grounds for disciplinary action and/or criminal prosecution against a chief of mission (or official in a position of comparable importance) will immediately be referred to the Office of Inspector General (OIG) or the Bureau of Diplomatic Security (DS), or comparable offices in other foreign affairs agencies. In exceptional circumstances, the Under Secretary for Management for State ... may designate an individual or individuals to conduct the investigation.”

²⁰ Of course, if OIG receives a referral in the first instance, it can effectively undertake an independent assessment of the matter.

²¹ Defense: (DoD Directive 5505.06 “[Investigations of Allegations Against Senior DoD Officials](#),” June 2013) (reissuing similar 2006 Directive), IG Act, sections 4(a), 6(a), 7, 8; [28 CFR 45.11](#); Justice: ([Reporting Violations to the Office of the Inspector General and the Office of Professional Responsibility; Delegations of Authority, September 2006](#)); IG Act, sections 4(a), 6(a), 7, 8E(b) and (d)); Homeland Security (DHS Management Directive System MD 0810.1 – [The Office of Inspector General](#), June 2004; IG Act, sections 4(a), 6(a), 7, 8I(c) and (e)); Treasury/IRS: ([Memorandum of Understanding Between the Internal Revenue Service Criminal Investigation Division and Treasury Inspector General for Tax Administration, Office of Investigations Regarding Investigative Responsibility](#), December 2008; IG Act, sections 4(a), 6(a), 7, 8D; Agriculture: IG Act, sections 4(a), 6(a), 7; Interior: IG Act, sections 4(a), 6(a), 7; Department Manual [355 DM 2](#). It should be noted that the existence of a special provision (e.g., IG Act section 8E (d)) “relate only to the establishment mentioned ... and no inference shall be drawn from the presence or absence of a provision ... with respect to an establishment not named” IG Act section 8J.

²² See, e.g., GAO, *Inspectors General: Activities of the Department of State Office of Inspector General* at 25-26. ([GAO-07-138](#), March 2007) ([B]ecause DS reports to the State Department’s Undersecretary [sic] for Management, DS investigations of department employees, especially when management officials are the subjects of the allegations, can result in management investigating itself.”); see also OIG’s *Review of Selected Internal Investigations Conducted by the Bureau of Diplomatic Security* ([ESP-15-01](#), October 2014) (Department policies and procedures appear to have

This risks undermining confidence in the integrity of the Department. Moreover, this arrangement prevents OIG from carrying out its clear statutory duty, set forth in the IG Act, “to provide policy direction for and to conduct, supervise, and coordinate ... investigations relating to the programs and operations” of the Department.

Accordingly, we are seeking legislative support—similar to that provided to other OIGs—for early notification to OIG of allegations of certain types of misconduct. In addition, OIG is seeking legislative clarification of its right to investigate such allegations.²³ Current Department directives are a barrier to achieving accountable and transparent government operations.

IV. IMPACT OF OIG WORK

Through our audits, evaluations, inspections, and investigations, OIG returns significant value to U.S. taxpayers. In FY 2014, we issued 77 reports, which included audits of annual financial statements, procurement activities, and funds management. During this period, we identified \$43.3 million in taxpayer funds that could be put to better use by the Department. Additionally, our criminal, civil, and administrative investigations resulted in the imposition or identification of \$75 million in fines, restitution, recoveries, and other monetary results last fiscal year. This was in addition to the \$1 billion in financial results from audit- or inspection-related findings²⁴ and more than \$40 million in investigative-related financial results that OIG identified in the previous 5 fiscal years.

However, these financial statistics do not adequately take into account our most significant impact—our oversight efforts and recommendations to improve the safety of people and facilities, our investigations that help ensure that Department employees conduct themselves appropriately, and our work to strengthen the integrity of the programs, operations, and resources that are at the foundation of the Department’s ability to help preserve our national security. Indeed, the work of our talented staff in reviewing security and leadership at our overseas and domestic posts has significant and positive effects on the lives and well-being of employees throughout the Department. That is what motivates our employees, many of whom are on the road for long periods of time or who serve for extended periods at high-threat posts.

In conclusion, I want to thank Chairman Perdue, Ranking Member Kaine, and the other Members here today for the opportunity to testify. I take my statutory requirement to keep the Congress fully and currently informed seriously, and I appreciate your interest in our work and for providing me the opportunity to articulate the challenges faced by my office. I look forward to your questions.

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significant implications and created an appearance of undue influence and favoritism, which undermines public confidence in the integrity of the Department and its leaders).

²³ We also have requested that the Department revise its policies to require notification to OIG of, and the right to investigate, such allegations.

²⁴ Financial results from audit- or inspection-related findings include the value of questioned costs and funds put to better use from OIG recommendations.