HIGHLIGHTS
Office of Inspector General
United States Department of State

AUD-SI-24-20

August 2024
OFFICE OF AUDITS
SECURITY AND INTELLIGENCE DIVISION

Audit of the Department of State's Program Design Plan Related to the Creating Helpful Incentives To Produce Semiconductors Act of 2022

What OIG Audited

The Creating Helpful Incentives To Produce Semiconductors Act (CHIPS Act) provided $500 million ($100 million per year over 5 years, starting in FY 2023) to the Secretary of State for international information and communications technology security and semiconductor supply chain activities. According to the CHIPS Act, these activities include supporting the development and adoption of secure and trusted telecommunications technologies, secure semiconductors, secure semiconductors supply chains, and other emerging technologies.

The Office of Inspector General conducted this audit to determine whether the Department of State (Department) applied program design principles as described in the Foreign Affairs Manual (FAM), 18 FAM 301.4, "Department of State Program and Project Design, Monitoring, and Evaluation," to implement CHIPS Act-related activities.

What OIG Recommends

OIG made three recommendations to address the limitations identified in this report. On the basis of the Department's response to a draft of this report, OIG considers the three recommendations unresolved. A synopsis of management's response to the recommendation offered and OIG's reply follow each recommendation in the Audit Results section of this report. The joint response received from the Bureau of Budget and Planning (BP) and the Office of Foreign Assistance is included in its entirety in Appendix B. OIG's reply to general comments provided by BP and the Office of Foreign Assistance is presented in Appendix C.

What OIG Found

The Department generally applied four of the six program design principles described in 18 FAM 301.4-2 to plan CHIPS Act-related activities. Specifically, the five bureaus and offices involved in the CHIPS Act implementation did the following: (1) assessed the Act's alignment to higher level strategies, (2) conducted a situational analysis, (3) developed goals and objectives, and (4) constructed a collaborative Department-level logic model. However, OIG identified two program design principles that, if applied, would assist the Department in better implementing CHIPS Act-related activities. First, the Department prepared logic models in lieu of a charter, as allowed by the FAM, to execute CHIPS Act-related activities. Although the FAM provides an option for a logic model or a project charter, OIG believes that the Department should include elements such as justification, scope, stakeholders, and key deliverables in the document, regardless of which option is used. Second, the Department had not established a detailed project schedule for CHIPS Act implementation.

One reason for the identified program design limitations is that the Department had not developed guidance on how to design and manage complex, globally focused programs across multiple bureaus, such as the CHIPS Act. In addition, Department officials stated that they believed that some components of 18 FAM 301 were not applicable, such as charters and schedules. Nonetheless, fully implementing program design principles prescribed in the FAM would be beneficial for project execution among the bureaus involved. Furthermore, although not required, the Department had not assigned a formal lead and management structure to orchestrate the Department's implementation of CHIPS Act-related activities. Formally establishing a lead and structure would help promote efficiencies and coordination and further the Department's ability to advance the goals of boosting American semiconductor research, development, and production, and supporting secure and trusted telecommunications technology.