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**Office of Inspector General**  
**United States Department of State**

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ISP-I-25-11

Office of Inspections

May 2025

# **Inspection of the Bureau of Economic and Business Affairs**

DOMESTIC OPERATIONS

UNCLASSIFIED



# HIGHLIGHTS

Office of Inspector General  
United States Department of State

ISP-I-25-11

## What OIG Inspected

OIG reviewed the executive direction, foreign policy priorities, policy and program implementation, resource management, and information management operations of the Bureau of Economic and Business Affairs.

## What OIG Recommends

OIG made 6 recommendations to the Bureau of Economic and Business Affairs. In its comments on the draft report, the bureau concurred with all 6 recommendations. OIG considers all 6 recommendations resolved. The bureau's response to each recommendation and OIG's reply can be found in the Recommendations section of this report. The bureau's formal response is reprinted in its entirety in Appendix B.

May 2025  
OFFICE OF INSPECTIONS  
DOMESTIC OPERATIONS

## Inspection of the Bureau of Economic and Business Affairs

### What OIG Found

- The acting Assistant Secretary set a positive tone for the Bureau of Economic and Business Affairs and generally led the bureau in accordance with Department of State leadership and management principles.
- Department and interagency stakeholders described the bureau as a collaborative partner in the interagency policy process.
- Staff reported concerns that resources did not keep pace with workload growth related to sanctions actions, debt restructuring, investment screening, business conduct mediations, infrastructure security, and foreign assistance programs.
- The bureau lacked standard operating procedures and capacity to manage its foreign assistance programs.
- The bureau's contract and contracting officer's representative files did not comply with Department standards.
- The bureau's information management operations had deficiencies in records management, the performance of information systems security officer duties, and knowledge management processes.

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## CONTEXT

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The Bureau of Economic and Business Affairs (EB) is responsible for formulating and implementing international economic policies that protect and advance U.S. economic, political, and national security interests. EB manages U.S. bilateral and multilateral economic relations through diplomatic engagement, negotiation, and promotion of initiatives in trade, finance, development, transportation, communications, agriculture, and food. EB also supports the Department of State's (Department) regional bureaus and U.S. embassies abroad by ensuring the timely dissemination of information concerning economic and commercial policies, legislation, and public and private sector actions that affect U.S. economic and business interests. EB coordinates with the Departments of the Treasury and Commerce, the Office of the U.S. Trade Representative, and international organizations and multilateral banks. EB is the coordination and clearance entity for all U.S. government communications related to economic and commercial data requests directed at bilateral missions abroad and multilateral development banks.

At the time of the inspection, EB led—solely or jointly—the execution of various Executive Orders, legislative mandates, and Department initiatives in international economic diplomacy. Under Executive Order 14024, for example, from February to October 2022, the bureau prepared approximately 1,500 new sanctions cases and amended approximately 750 existing sanctions directed against Russia.<sup>1</sup> Additionally, the Department received delegated authority, either solely or jointly, for the Secretary of State (through EB) to implement high-profile economic sanctions programs against Russia, Iran, Syria, and other countries. EB also carried out mandates related to the protection of intellectual property rights,<sup>2</sup> the coordination of global and country-specific economic sanctions,<sup>3</sup> and the promotion of economic development.<sup>4</sup> Under the Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act of 2022,<sup>5</sup> EB, along with the Bureaus of Cyberspace and Digital Policy and International Security and Nonproliferation, oversaw the \$500 million International Technology Security and Innovation Fund. This is a program to secure and diversify semiconductor supply chains with partner nations. The bureau also implemented the Foreign Investment Risk Review Modernization Act,<sup>6</sup> and several Executive Orders related to the Committee on Foreign Investment in the United States,<sup>7</sup> technology, and outbound investment restrictions.

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<sup>1</sup> Executive Order 14024, Blocking Property With Respect To Specified Harmful Foreign Activities of the Government of the Russian Federation, April 15, 2021.

<sup>2</sup> Protecting American Intellectual Property Act of 2022, Public Law 117-336, codified at 50 U.S. Code (U.S.C.) § 1709.

<sup>3</sup> For example, the Global Magnitsky Human Rights Accountability Act, Public Law 114-328 §§ 1261–1265, codified at 22 U.S.C. Chapter 108.

<sup>4</sup> Championing American Business Through Diplomacy Act of 2019, Public Law 116-94 §§ 701–711, codified at 22 U.S.C. Chapter 106.

<sup>5</sup> CHIPS Act of 2022, Public Law 117-167.

<sup>6</sup> Foreign Investment Risk Review Modernization Act of 2018, Public Law 115-232 §§ 1701–1728.

<sup>7</sup> The Committee on Foreign Investment in the United States is an interagency committee authorized to review certain transactions involving foreign investment in the United States and certain real estate transactions by

EB's Functional Bureau Strategy for FY 2022–2026, revised in February 2024, established the following three strategic goals and one management goal to focus bureau efforts:

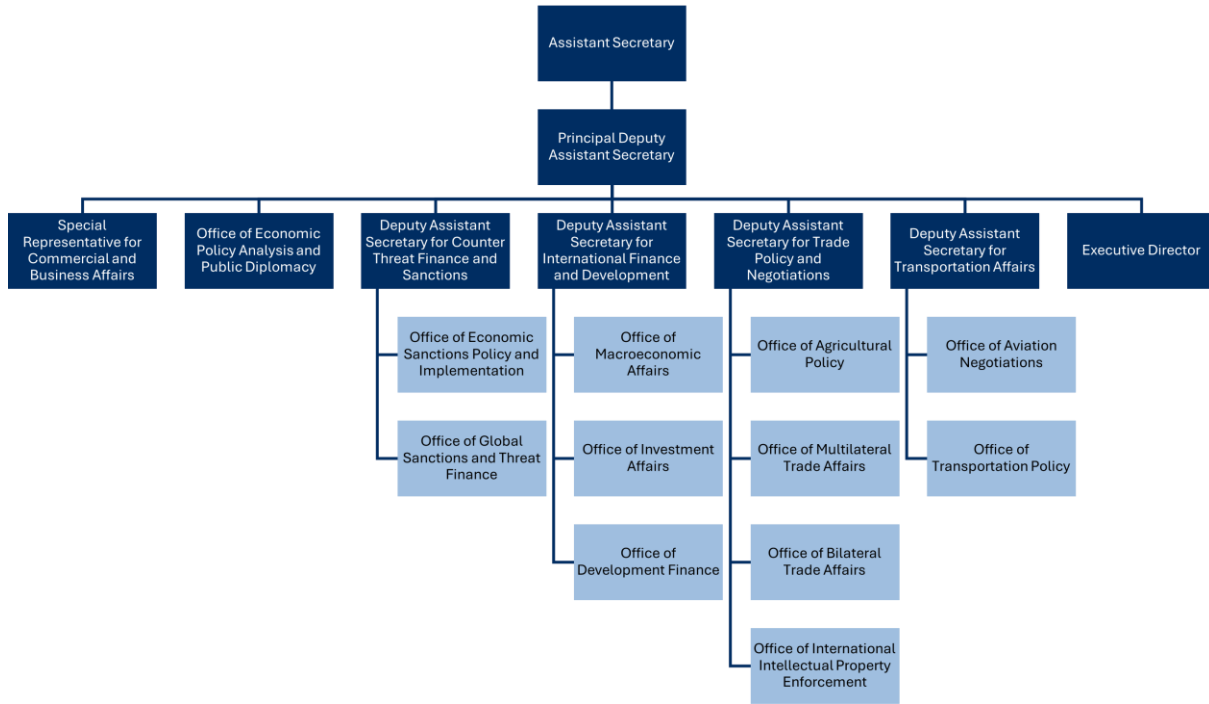
- Promote inclusive and sustainable global economic growth that expands jobs and opportunities for American workers and advances U.S. foreign policy and national interests.
- Support a market-driven, rules-based, transparent economic order through increased cooperation with like-minded partners and enhanced engagement in international organizations.
- Enhance economic and national security through coordinated efforts to sanction malign actors, combat terrorist financing, prevent investments that threaten national security, and strengthen aviation and maritime security.
- Develop and empower economic officers in Washington, DC, and around the world.

At the time of the inspection, the bureau's authorized staffing consisted of 147 Civil Service and 76 Foreign Service positions. In addition, the bureau had 11 contractors. EB's leadership structure consisted of an Assistant Secretary, a Principal Deputy Assistant Secretary, and four Deputy Assistant Secretaries. As shown in Figure 1 below, the bureau had five divisions: Counter Threat Finance and Sanctions (TFS), International Finance and Development (IFD), Trade Policy and Negotiations (TPN), Transportation Affairs, and the Executive Office. The bureau had 13 offices including the Office of Commercial and Business Affairs (CBA), headed by a Special Representative, and the Office of Economic Policy Analysis and Public Diplomacy (EPPD).

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foreign persons, to determine the effect of such transactions on the national security of the United States. The members of the committee include the heads of the following departments and offices: Department of the Treasury (chair), Department of Justice, Department of Homeland Security, Department of Commerce, Department of Defense, Department of State, Department of Energy, Office of the U.S. Trade Representative, and Office of Science and Technology Policy. White House offices that also observe and, as appropriate, participate in the Committee on Foreign Investment in the United States activities are the Office of Management and Budget, Council of Economic Advisers, National Security Council, National Economic Council, and Homeland Security Council.

**Figure 1: Bureau of Economic and Business Affairs Organization Chart**



**Source:** Office of Inspector General (OIG) generated from information obtained from EB, August 2024.

OIG evaluated the bureau’s executive direction, foreign policy priorities, policy and program implementation, resource management, and information management operations consistent with Section 209 of the Foreign Service Act of 1980.<sup>8</sup>

## EXECUTIVE DIRECTION

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OIG assessed EB’s leadership based on interviews with Department and interagency stakeholders, staff questionnaires, and OIG’s review of documents and observations of bureau meetings.

### Tone at the Top and Standards of Conduct

At the time of the inspection, the Principal Deputy Assistant Secretary, who arrived at the bureau in December 2023, served as the acting Assistant Secretary following the departure of the Assistant Secretary in July 2024. Each of the four Deputy Assistant Secretaries rotated serving as acting Principal Deputy Assistant Secretary.

As outlined in 1 Foreign Affairs Manual (FAM) 421.1b-c, the Assistant Secretary oversaw the work of the four Deputy Assistant Secretaries and the Special Representative for Commercial

<sup>8</sup> See Appendix A.

and Business Affairs. The Principal Deputy Assistant Secretary directed EPPD and coordinated bureau management responsibilities with the bureau's Executive Director.<sup>9</sup> However, OIG observed the acting Assistant Secretary continued to exercise Principal Deputy Assistant Secretary responsibilities for oversight of EPPD and the Executive Office. The Deputy Assistant Secretaries and the Special Representative oversaw and coordinated their operational divisions' policy and programmatic responsibilities. The Special Representative, who was appointed directly by the President, managed the Department's outreach to the U.S. business community to support business interests abroad.

OIG determined the acting Assistant Secretary set a positive tone, consistent with Department leadership principles in 3 FAM 1214b.<sup>10</sup> OIG interviews substantiated that the acting Assistant Secretary and other bureau leaders valued and developed staff. Additionally, in questionnaires, staff commented favorably on the acting Assistant Secretary's leadership, noting her frequent communication, active listening, availability for consultations with staff, and commitment to Department values. OIG also observed frequent and positive communication throughout the bureau. The acting Assistant Secretary communicated with all levels within the bureau through staff meetings, all hands meetings, issue-specific meetings, and emails. She sent a monthly newsletter to all employees with information and opportunities for professional advancement and other news.

## **Execution of Foreign Policy Goals and Objectives**

OIG found the acting Assistant Secretary generally met the responsibilities of her office, as described in 1 FAM 421.1. Specifically, she engaged with Department officials, Washington stakeholders, the U.S. private sector, and international counterparts to further the strategic goals of the bureau. Department stakeholders and interagency partners told OIG that EB communications were frequent and purposeful, and the bureau participated constructively in strategic discussions. During her brief time in the role, the acting Assistant Secretary participated in Department and interagency economic policy discussions and represented the Department in interagency deliberations and in diplomatic engagement with foreign counterparts. U.S. stakeholders complimented the bureau for maintaining an active and collaborative approach. The acting Assistant Secretary also provided policy guidance and support for the Secretary's participation in the Office of the U.S. Trade Representative trade policy committees<sup>11</sup> as required by 1 FAM 421.1a(2).

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<sup>9</sup> The Executive Director for EB also directed administrative support for the Bureau of Energy Resources and the Office of Global Partnerships.

<sup>10</sup> The Department's leadership and management principles outlined in 3 FAM 1214 are (1) model integrity, (2) plan strategically, (3) be decisive and take responsibility, (4) communicate, (5) learn and innovate constantly, (6) be self-aware, (7) collaborate, (8) value and develop people, (9) manage conflict, and (10) foster resilience.

<sup>11</sup> The Trade Policy Review Group and the Trade Policy Staff Committee advise the Office of the U.S. Trade Representative in its responsibility for developing and coordinating the implementation of U.S. trade policy.

## **Internal Controls**

OIG determined the acting Assistant Secretary and bureau leadership generally adhered to and implemented Department guidance regarding internal controls, as defined in 2 FAM 022.7. EB had a signed Management Control Statement of Assurance, with no significant deficiencies reported. However, OIG found some internal control issues during the inspection. These issues are discussed in the Policy and Program Implementation (under Foreign Assistance), Resource Management, and Information Management sections of this report.

OIG also confirmed the acting Assistant Secretary and the Executive Office upheld Department ethical and legal standards by registering and logging gifts in a timely manner, as required in 2 FAM 964.

## **Equal Employment Opportunity**

OIG found the acting Assistant Secretary acted in accordance with Department guidelines in 2 FAM 1515c to promote equal employment opportunity. The bureau held annual training for all personnel, which was organized by the bureau's equal employment opportunity counselor in coordination with the Office of Civil Rights.

## **Strategic Planning**

The acting Assistant Secretary fulfilled her responsibilities under 18 FAM 301.2-4(C) and (D) regarding timely revisions to strategic plans and regular reviews to assess progress of strategic goals. The bureau reviewed its Functional Bureau Strategy in November 2023, and the Department published it in February 2024. EB engaged with regional bureaus and several functional bureaus to discuss strategies proposed for selected countries. Additionally, the acting Assistant Secretary requested bureau offices to identify and report on priority actions that could be undertaken by the end of 2024.

The acting Assistant Secretary told OIG that the largest challenge for the bureau was planning for budgetary reductions that would shrink budgets and affect the bureau's ability to fill vacant staff positions. The bureau's most recent review of the Functional Bureau Strategy identified the lack of personnel necessary to meet demands for EB expertise, analysis, and programming as a concern. Furthermore, as described in the Resource Management section of this report, OIG observed staffing and resource limitations that could affect the bureau's future operations.

## **FOREIGN POLICY PRIORITIES**

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EB is responsible for economic programs and activities that are central to the Department's foreign policy priorities. EB also took on additional responsibilities related to several high-profile areas of concern to the Department, the administration, and Congress. Specifically, from 2020 to 2024, EB's responsibilities increased in several areas, including the number and complexity of sanctions actions, debt restructuring, investment screening, business conduct mediations, infrastructure security, and foreign assistance programs. OIG reviewed EB's efforts

in response to the war in Ukraine, to implement the Indo-Pacific Strategy and counter economic coercion, and address threats in the Middle East. OIG also reviewed EB's responsibilities for supporting U.S. businesses. OIG found EB supported implementation of administration strategies, as discussed below.

### ***Bureau Contributed to U.S. Support to Ukraine***

OIG determined EB met its responsibilities to support Ukraine's economy after Russia's full-scale invasion in 2022. OIG found EB offices prioritized Ukraine-related activities, consistent with administration strategies. Examples of EB's work to support Ukraine included:

- Support for Ukrainian government finances.
  - EB, in coordination with the Department of Agriculture, facilitated the U.S.-Ukraine Debt Consolidation and Rescheduling Agreement and framework for Ukraine's economic reforms.
  - EB led the Department's efforts to mobilize the value of immobilized Russian sovereign assets for the benefit of Ukraine. This led to the Group of Seven (G7)<sup>12</sup> agreeing to provide \$50 billion in loans to Ukraine, with the loans to be serviced and repaid based on interest from immobilized Russian sovereign assets.
  - EB, in conjunction with other Department bureaus and offices, engaged on the issue of anti-corruption. The bureau worked with the Bureau of International Narcotics and Law Enforcement Affairs to provide funding to assist with Ukraine's efforts to join the Organization for Economic Cooperation and Development's Working Group on Bribery in International Business Transactions.
- Support to Ukrainian businesses.
  - EB data analysts, working with interagency partners, identified new markets for Ukraine that did not compete with U.S. agricultural exports. This not only provided revenue for Ukraine but staved off famine in countries that relied on Ukrainian grain exports.
  - EB created the \$2 million Ukraine Business Facilitation Program to advance Ukraine's economic recovery by promoting business linkages between U.S. and Ukrainian companies and advancing Ukraine's trade linkages with the rest of the world.
  - EB supported the Special Representative for Ukraine's Economic Recovery's establishment of the Business Advisory Council to the Ukraine Multi-Agency Donor Coordination Platform. Others supporting this effort were international partners including U.S. business representatives from key sectors such as agribusiness, logistics, and defense production. This led to war risk insurance products in Ukraine, including a first-of-its-kind \$50 million reinsurance facility.
- Reconstruction planning.
  - EB coordinated with interagency partners on meetings with the embassy of Ukraine, on the topics of the economic recovery of Ukraine, Russia's immobilized assets, and

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<sup>12</sup> G7 is an informal bloc of industrialized democracies that meets annually to discuss global economic policy. The group consists of the United States, Canada, France, Germany, Japan, Italy, and the United Kingdom.

- the identification of additional donors to provide support to Ukraine. This led to Norway increasing its contributions to Ukraine's reconstruction.
- EB worked with the International Monetary Fund on securing private investments to rebuild infrastructure and improved energy products for the long term, as seen in the bureau's specific advocacy for improved power generation.

***Bureau Managed Increased Activities To Counter Russia's Ability To Continue Its War on Ukraine***

EB managed increased activities related to countering Russia's ability to continue its war on Ukraine, including sanctions on Russian officials and entities. The sanctions program<sup>13</sup> aims to deprive Russia of resources and technology needed to continue the war, promote accountability for Russia's invasion and occupation of Ukraine, including for atrocities and abuses committed, and to maintain global market stability in key commodities. EB reported that from 2022 to 2024, the U.S. government designated 5,874 Russia harmful activities, including senior Russian Federation officials. In comparison, the U.S. government designated 271 Russia harmful activities from 2019 to 2021, based on EB-provided data. EB also helped implement sanctions on the People's Republic of China targets that supported Russia's war. In addition, EB helped monitor Russian efforts to use food as a weapon. The bureau did this by coordinating with interagency stakeholders to prevent Russia from obtaining a leadership position in the Food Assistance Committee, a multilateral organization addressing global food insecurity. EB also was instrumental in countering Russian misinformation about the Black Sea Grain Initiative.<sup>14</sup>

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<sup>13</sup> Russia-related sanctions are implemented under several authorities, including Executive Order 14024, as amended under Executive Order 14114. Under Executive Order 14024, the Secretaries of State and Treasury share authority to impose sanctions. See Executive Order 14024, Blocking Property With Respect To Specified Harmful Foreign Activities of the Government of the Russian Federation, April 15, 2021, and Executive Order 14114, Taking Additional Steps With Respect to the Russian Federation's Harmful Activities, December 22, 2023.

<sup>14</sup> The Black Sea Grain initiative was an international agreement under which Russia and Ukraine agreed on how to safely export grain harvested in Ukraine.

### ***Bureau Implemented Programs To Counter Economic Coercion and Execute the Administration's Indo-Pacific Strategy***

EB implemented programs to counter economic coercion by adversarial nations. Such coercion challenges U.S. national interests by undermining the transparent, free-market system that is the basis of the international economic order.<sup>15</sup>

OIG found EB prioritized activities across all its offices to counter, in particular, economic coercion actions by the People's Republic of China. OIG determined EB supported Department efforts to establish anti-corruption programs, address technological threats incorporated into electronic consumer products, counter intellectual property theft, screen investments, and develop alternative critical supply chains. OIG also found EB supported implementation of the U.S. government's Indo-Pacific Strategy<sup>16</sup> and other administration guidance and was engaged in multiple interagency and multilateral efforts in lead and supporting roles. This was consistent with its responsibilities. For example, EB supported Department efforts to implement the Indo-Pacific Economic Framework for Prosperity. Through this initiative, the Department convened 12 regional partners representing 40 percent of the world's gross domestic product to establish common principles in trade and the digital economy, supply chains and resilience, clean energy and decarbonization, and tax and anti-corruption. Additionally, EB supported the Partnership for Global Infrastructure and Investment with G7 countries to assist low- and middle-income countries to secure high-standard investment for critical infrastructure through public and private financing.

#### **Examples of Economic Coercion**

- Constricting or blocking access to markets.
- Using trade sanctions, embargoes, and boycotts to coerce behavior.
- Introducing untrustworthy technologies and digital infrastructure into networks and connected vehicle components.
- Demanding restricted rights to strategic resources.
- Circumventing intellectual property protections.
- Requiring technology transfer in trade and investment deals.

### ***Bureau Carried Out Administration Policy Regarding Middle East Priorities***

OIG determined that EB carried out activities related to the administration's priorities in the Middle East, primarily through sanctions programs. The U.S. government-imposed sanctions on individuals or entities in response to Hamas' October 2023 attack on Israel. The U.S. government also imposed economic sanctions against those involved in threatening the peace,

<sup>15</sup> The Biden Administration articulated a comprehensive policy against economic coercion in the 2022 National Security Strategy. The administration outlined the principles it would advocate for and actions it would take working with international partners. As described in the Methodology section of this report, fieldwork for this inspection was conducted from September 3, 2024, to January 16, 2025. The inspection therefore assessed the bureau's performance using standards and guidance in effect during that period.

<sup>16</sup> According to the White House's *U.S.-Indo-Pacific Strategy of the United States*, February 2022, the United States is committed to an Indo-Pacific that is free and open, connected, prosperous, secure, and resilient. The strategy stated that the United States will strengthen its own role while reinforcing the region itself and will shape the strategic environment in which the People's Republic of China operates.

security, and stability of the West Bank; those carrying out acts or threats of violence against civilians; and those engaging in terrorist activity in the West Bank. EB, in coordination with the Department of the Treasury, was responsible for these designations. The United States also implemented sanctions programs that restricted access to the United States for companies engaged in certain commercial activities in Iran. The Secretary of State had sole authority to impose sanctions related to trade in Iranian oil,<sup>17</sup> and EB implemented these programs, along with other Iran sanctions under various authorities. OIG found EB implemented its sanctions responsibilities and supported the Department of the Treasury, as required by Executive Orders and policy guidance.

***Bureau Supported U.S. Businesses by Advancing U.S. Interests in International Commerce and Trade***

EB supported U.S. businesses by protecting and advancing U.S. economic interests in international commerce and trade, consistent with its responsibilities. Examples of EB's work to support U.S. business interests include:

- Embassy Deal Teams. This interagency initiative, led jointly by CBA and the Department of Commerce, supports embassies in commercial diplomacy efforts and in advancing U.S. business interests abroad. Embassy Deal Teams serve as the mechanism for implementing initiatives such as the Partnership for Global Infrastructure and Investment.<sup>18</sup> (See below for more information on the Deal Team Initiative.)
- Strategic Ports Initiative. EB supported the Strategic Ports Initiative. This initiative seeks to protect freedom of the seas by providing select governments with technical and commercial assistance to withstand economic coercion from malign actors seeking to undermine U.S. access to sea lanes and seaports and thereby interfere with U.S. strategic interests. In addition, the initiative facilitates greater access for American companies abroad and promotes the export of U.S. services and job creation.
- Open Skies Agreements. EB led negotiations to expand international air traffic rights, in consultation with the Departments of Transportation and Commerce. These bilateral instruments facilitate travel and trade between the United States and countries desiring market-based competition, greater access to international air routes, and higher standards of service, safety, and security.

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<sup>17</sup> According to Section 3 of Executive Order 13846, Reimposing Certain Sanctions With Respect to Iran, August 6, 2018, the Secretary of State, in consultation with the Department of the Treasury and other federal agencies, is authorized to sanction those who trade petroleum, petroleum products, or petrochemical products from Iran.

<sup>18</sup> The Partnership for Global Infrastructure and Investment with G7 countries aims to assist low- and middle-income countries to secure high-standard investment for critical infrastructure through public and private financing.

### **Deal Team Initiative Supported Capacity-Building at Overseas Missions, Which Enabled Commercial Diplomacy Efforts**

CBA and the Department of Commerce (under the U.S. Commercial Service) launched the Deal Team Initiative in 2020 as an interagency effort to coordinate commercial diplomacy among 13 agencies: the Departments of Agriculture, Commerce, Energy, Homeland Security, State, Transportation, and the Treasury; the U.S. Agency for International Development; the U.S. Trade and Development Agency; the Export-Import Bank of the United States; the U.S. International Development Finance Corporation; the Millennium Challenge Corporation; and the Small Business Administration. At overseas missions, Deal Teams typically include Department economic officers, U.S. Commercial Service officers, and representatives of other mission agencies with an economic or development mandate.

In August 2022, EB leadership expanded the Department's efforts under the Deal Team Initiative. Specifically, CBA began working with Department economic officers engaged in commercial work at U.S. embassies without U.S. Commercial Service representation. In particular, EB sought to build capacity to support commercial diplomacy efforts and to highlight best practices and successes. To achieve this, the office developed and launched a training series that highlighted successes and best practices in advancing U.S. business interests abroad. The initial training session in November 2022 attracted more than 180 participants, with additional sessions reaching approximately 600 attendees over the following months. The Department of Commerce and EB also relaunched the Benjamin Joy Award to highlight excellence in commercial diplomacy.

## **POLICY AND PROGRAM IMPLEMENTATION**

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OIG assessed EB's policy and program implementation work performed by CBA, TFS, IFD, TPN, and TRA. OIG also reviewed the bureau's management and coordination of foreign assistance. OIG found the bureau generally met Department requirements for policy and program implementation. However, OIG identified deficiencies in the bureau's foreign assistance program management, as described below.

### **Commercial and Business Affairs**

CBA is the focal point for the Department's outreach to the U.S. business community. Its primary responsibility is to develop and coordinate support for U.S. commercial interests abroad. CBA cooperates with the Departments of Commerce and the Treasury, the Export-Import Bank of the United States, the Office of the U.S. Trade Representative, the U.S. International Development Finance Corporation, the National Security Council, industry representatives, and U.S. companies to achieve its goals. The office administers the Championing American Business through Diplomacy Act of 2019,<sup>19</sup> which charges the Secretary of State with primary responsibility for coordinating a whole-of-government effort to expand efforts to support U.S. economic and business abroad.<sup>20</sup> The office works with the

<sup>19</sup> Public Law 116-94 §§ 701–711, codified at 22 U.S.C. Chapter 106.

<sup>20</sup> See 22 U.S.C. § 9904(a).

Department's regional bureaus to assist U.S. firms seeking help with their international business activities. Key programs include the Deal Team Initiative, the State-Commerce Partner Post Program, and the Ukraine Business Facilitation Program. The office also leads Department coordination with the Department of Commerce's Advocacy Center to support U.S. firms competing for foreign procurement opportunities.

OIG found that CBA met the requirements in 1 FAM 427. The head of the office is the Special Representative for Commercial and Business Affairs, a political appointee selected by the President. Staff described to OIG that they are occupied with both up-to-the-minute tasks assigned ad hoc as well as lengthy preparation for activities like the Awards for Corporate Excellence, which the Secretary presents in an annual Department ceremony. Stakeholders spoke highly of the office and the experience and responsiveness of the staff. Due to vacancies in both contract and full-time positions in the office at the time of the inspection, some office staff commented that priority goals were taking longer to achieve than when fully staffed.

## **Counter Threat Finance and Sanctions**

The Bureau of Economic Affairs, through TFS, leads the implementation of most sanctions for the Department and coordinates the Department's concurrence on sanctions designations made under Department of the Treasury's authorities. TFS is responsible for developing and implementing sanctions<sup>21</sup> to counter threats to national security posed by certain activities, terrorist groups, and countries through global and country-specific programs. The division also coordinates Department efforts to develop and implement measures to counter threat financing used by terrorist entities and other illicit organizations. TFS leads engagement on the Financial Action Task Force<sup>22</sup> for the Department. The division is composed of the Office of Global Sanctions and Threat Finance and the Office of Sanctions Policy and Implementation. TFS staff noted that its work is directed by the National Security Council and Department principals. OIG found the division focused on implementing policy priorities such as the Russia, Iran, and West Bank sanctions programs; leading the Department on the Global Magnitsky sanctions program<sup>23</sup> and Financial Action Task Force; and providing foreign policy guidance to interagency

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<sup>21</sup> Other Department bureaus and offices also play key roles in implementing and guiding sanctions policy. The Bureaus of Counterterrorism, International Organization Affairs, International Security and Nonproliferation, International Narcotics and Law Enforcement Affairs, and Democracy, Human Rights, and Labor also implement sanctions programs. The Bureau of Consular Affairs implements sanctions-related visa restrictions, and the Office of Sanctions Coordination provides Department concurrence on Department of the Treasury sanctions and overall guidance on sanctions policy.

<sup>22</sup> Established in 1989, the Financial Action Task Force is an international body that sets standards and makes policy to counter money laundering and terrorist financing.

<sup>23</sup> The program, implemented under the Global Magnitsky Human Rights Accountability Act, 22 U.S.C. § 10102(a), authorizes the President to impose economic sanctions and deny entry into the United States to foreign persons identified as engaging in human rights violations or corruption. Executive Order 13818, Blocking the Property of Persons Involved in Serious Human Rights Abuse or Corruption, December 20, 2017, expanded on and implemented the Global Magnitsky Human Rights Accountability Act. It gives the Secretary of the Treasury, in consultation with the Secretary of State and the Attorney General, discretionary authority to impose financial sanctions and visa restrictions on foreign persons in connection with serious human rights abuse or corruption. The Global Magnitsky sanctions program is named after Sergei Magnitsky, a Russian tax advisor who died in prison

partners and Department on economic sanctions. Overall, OIG found TFS generally complied with 1 FAM 423 requirements.

However, OIG found the division faced resource challenges in keeping up with the increasing demand for sanctions. TFS leadership and staff highlighted to OIG the challenges with a shortfall in the division's budget. With an approximate budget of \$10 million in FY 2023, TFS leadership noted that the division's actual expenses exceeded that amount by two to three times. This was primarily due to the increasing demand for sanctions designations. These budget constraints required TFS to rely on supplemental appropriations and regional offices to fund sanctions targets, which TFS leadership described as unsustainable and a barrier to long-term effectiveness. TFS staff also told OIG that having limited access to secure communications and insufficient office space affected their efficiency. Finally, through interviews within TFS, Department, and interagency staff, OIG found that staff vacancies and turnover increased staff workload, resulting in some staff describing themselves as being burned out.

## **International Finance and Development**

IFD leads the bureau's work on development finance, investment, and macroeconomic issues, in cooperation with other U.S. government agencies in bilateral and multilateral settings. IFD offices are responsible for advising the Deputy Secretary of State for Management and Resources on the Department's role as chair of the Millennium Challenge Corporation Board and the U.S. International Development Finance Corporation Board. IFD offices are also responsible for leading the Department's engagement with international financial institutions (the International Monetary Fund, the World Bank, and regional multilateral development banks), the United States Trade and Development Agency, and the Export-Import Bank of the United States. IFD officials serve as the U.S. Representative to the Paris Club<sup>24</sup> and for several Organization for Economic Cooperation and Development bodies.<sup>25</sup> IFD offices coordinate the Department's engagement with the Group of 20.<sup>26</sup> IFD also leads the Department's efforts on investment issues, through the Committee on Foreign Investment in the United States and other engagement. IFD offices have responsibilities for several foreign assistance programs on behalf of the bureau.

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in 2009 after exposing corruption by Russian officials. As of December 2023, the United States has sanctioned more than 650 foreign individuals and entities under Executive Order 13818.

<sup>24</sup> The Paris Club is a forum composed of 22 permanent members that meet to solve payment difficulties faced by debtor countries. The Paris Club has remained strictly informal and can be described as a "non-institution." The permanent members of the Paris Club are Australia, Austria, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Ireland, Israel, Italy, Japan, Republic of Korea, Netherlands, Norway, Russia, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

<sup>25</sup> These include the U.S. representative to the Investment Committee, U.S. representative to the Working Group on Bribery in International Business Transactions, U.S. representative to the Working Party on Public Integrity and Anti-Corruption, and the chair of the Steering Committee of the Blue Dot Network.

<sup>26</sup> The Group of 20, or G20, is an intergovernmental forum comprising 19 sovereign countries, the European Union, and the African Union. It works to address major issues related to the global economy, such as international financial stability, climate change mitigation, and sustainable development. The Department of the Treasury has the lead for the U.S. government.

OIG found the IFD offices generally met their responsibilities under 1 FAM 425a. OIG identified that IFD offices faced complex coordination responsibilities in the Department and with interagency partners. In interviews with OIG, Department and interagency stakeholders praised IFD offices for their engagement on issues and collaboration. IFD staff reported to OIG high levels of morale and confidence in division leadership.

## **Trade Policy and Negotiations**

TPN consists of the Offices of Multilateral Trade Affairs, Bilateral Trade Affairs, Agricultural Policy, and Intellectual Property Enforcement. TPN focuses on opening new markets, resolving trade disputes, protecting intellectual property rights, countering economic coercion, promoting agricultural trade and innovation, and building resilient supply chains in the semiconductor and other critical sectors.

The Office of Multilateral Trade Affairs advances the U.S. trade agenda and works with partners and allies to strengthen critical supply chains. Since FY 2023, MTA has supported the implementation of the International Technology Security and Innovation (ITSI) Fund, created by the CHIPS Act of 2022.<sup>27</sup> The Act provided the Department with \$100 million per year for 5 years to promote the development and adoption of secure and trustworthy telecommunications networks and ensure the security and diversification of semiconductor supply chains. The CHIPS Act of 2022 included funding for the creation of full-time positions that resulted in the formation of the six-person ITSI unit and provided approximately \$20 million in foreign assistance funds per year until 2027.

The Office of Intellectual Property Enforcement and Office of Bilateral Trade Affairs serve as clearinghouses within the Department on intellectual property and trade issues, respectively, with the latter also staffing the Department's various economic policy dialogues with foreign governments. The Office of Agricultural Policy oversees agricultural issues, focusing on food security, agricultural trade, and biotechnology. At the interagency level, TPN collaborates with entities such as the National Security Council, the Office of the U.S. Trade Representative, the U.S. Patent and Trademark Office, the Environmental Protection Agency, the U.S. Agency for International Development, and the Departments of Agriculture, Commerce, Homeland Security, Justice, and the Treasury.

OIG generally found that TPN satisfied its 1 FAM 428 responsibilities both within the Department and the interagency arena. Its component offices crafted new trade programs and initiatives that furthered U.S. overseas economic development objectives and, in interviews with OIG, the Department's regional bureau economic units praised TPN's engagement. In both interviews and written surveys, TPN staff expressed satisfaction with the efforts of division and office leadership to create a supportive and productive workplace environment. Although at

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<sup>27</sup> The CHIPS Act of 2022, Public Law 117-167, appropriated \$39 billion to a CHIPS for America Fund, to increase semiconductor manufacturing capacity in the United States by providing financial incentives for building, expanding, and equipping domestic fabrication facilities and companies in the semiconductor supply chain.

times, TPN found its ability to address all its responsibilities were constrained by the number of available staff, OIG determined office leadership took creative approaches to filling the gaps by bringing in subject matter experts from other agencies on detail, as well as Presidential Management and Science Fellows, and Foreign Service personnel on temporary assignments.

### **The Office of Multilateral Trade Affairs Led Department Efforts To Ensure Supply Chains Resilience**

The Office of Multilateral Trade Affairs served as the Department's lead for coordinating diplomacy on supply chains resilience. Specifically, the office led EB's efforts to implement the 2021 Executive Order on America's Supply Chains (Executive Order 14017), coordinated the Department's participation in the 2023 White House Council on Supply Chain Resilience, and—as part of its responsibilities for oversight of the ITSI Fund—developed foreign assistance programs to increase the resilience of the semiconductor supply. In addition, the Office of Multilateral Trade Affairs directed embassies to undertake supply chain-related actions and reporting; produced monthly reports for Department personnel, periodic reports on supply chain disruptions to the National Economic Council; and, with the support of the Office of the Chief Economist and other offices at the Department, prepared monthly reports for the White House Supply Chain Disruptions Task Force. When necessary, for example during the October 2024 U.S. East Coast and Gulf Coast port strike, the Office of Multilateral Trade Affairs convened Department-wide working groups to monitor ongoing situations and track possible supply chain threats.

### **Transportation Affairs**

TRA supports and advances U.S. interests through the development and implementation of policies and programs in international transportation, including international aviation and international shipping. The division leads U.S. delegations in bilateral and multilateral air services negotiations and diplomacy to ensure air services agreements are fully respected. TRA also advances U.S. policy at international organizations with transportation responsibilities, including the International Civil Aviation Organization and the International Maritime Organization. The division engages with U.S. transportation industry organizations and individual companies.

OIG found TRA offices—the Offices of Aviation Negotiations and Transportation Policy—generally met their responsibilities under 1 FAM 426a. Staff told OIG that leadership supported professional development. Despite the support for professional development, staff highlighted to OIG concerns with the lack of institutional knowledge within the Office of Aviation Negotiations. In interviews with OIG, staff commented that for the first 6 months after Foreign Service rotations took place in 2024, the office's institutional knowledge resided solely with the single Civil Service staff member who had 3 years of tenure. At the time of OIG's inspection, all other Civil Service and Foreign Service staff were new to the office. Staff said that interagency coordination required a strong relationship with partner agencies, which was difficult to manage with significant turnover. However, TRA staff noted they experienced a consistent flow of communication and cooperation within the Department.

TRA offices support the Open Skies Agreement and Strategic Ports Initiative. Staff reported to OIG that TRA lacked funding to conduct in-person relationship building that could benefit the initiation and enforcement of Open Skies agreements. Additionally, staff noted that their work on the Strategic Ports Initiative lacked permanent funding and positions.

## **Office of Economic Policy Analysis and Public Diplomacy**

OIG reviewed the operations of EPPD's three areas of responsibility: strategic planning coordination for the bureau, policy support to the U.S. Mission to the Organization for Economic Cooperation and Development, and management of the bureau's public affairs and public diplomacy operations. Overall, OIG determined EPPD's operations met Department standards, with the following exception.

### ***Social Media Accounts Lacked Strategy and Required Updates***

EPPD did not have strategies for its social media accounts. Also, three of its social media accounts had outdated or incorrect links to the Department's Social Media Terms of Use.<sup>28</sup> According to 10 Foreign Affairs Handbook (FAH)-1 H-061, a strategic plan for social media engagement is essential to ensure that a bureau's resource commitment aligns with Department priorities. Additionally, 10 FAM 185a and c state that the Department should ensure users of its social media accounts abide by the Department's terms of use. Therefore, the links to the terms of use should be accurate and reflect the latest version. Recent staff turnover in EPPD left the office without a dedicated staff member responsible for managing the social media accounts. Additionally, vacancies in EPPD leadership positions postponed discussions to determine EB's social media focus and purpose. During the inspection, EPPD developed a social media communication strategy and updated its terms of use links. As a result of the office's efforts, OIG did not make a recommendation to address this issue.

## **Foreign Assistance**

In the area of foreign assistance, EB is responsible for coordinating programs, administering grants and contracts, and providing input and advice on programs managed by others.<sup>29</sup> In FY 2023, the Department allocated approximately \$32 million in foreign assistance to EB. This included \$20 million from the CHIPS Act of 2022 for the ITSI Fund. It also included \$7 million for the Fiscal Transparency Innovation Fund, which is an annual earmark. EB directly implemented ITSI funding and approximately \$2 million for other programs through EB-initiated grants, cooperative agreements, and interagency agreements. The remainder of the funding was

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<sup>28</sup> See Department of State, "U.S. Department of State Social Media Terms of Use," <https://www.state.gov/social-media-terms-of-use/>.

<sup>29</sup> These include engagement with the Department of the Treasury on international financial institution programs, supporting the Secretary of State's role as chairman of the boards of the Millennium Challenge Corporation and the U.S. International Development Finance Corporation, and participating in discussions on programs for the U.S. Trade and Development Agency and the Export-Import Bank of the United States. EB's foreign assistance responsibilities also include providing advice to embassies, other Department offices, and the U.S. Agency for International Development on programming.

transferred to the U.S. Agency for International Development and U.S. embassies overseas for implementation.

OIG reviewed EB's coordination and management of foreign assistance programs. Department and interagency stakeholders told OIG that EB provided input to programs managed by other bureaus, Departments, and agencies in support of the administration's economic priorities. Although EPPD coordinated the annual bureau-wide budget, strategic planning, and performance reporting exercises and the Executive Office oversaw budget execution functions, five individual program offices in EB were responsible for or helped manage foreign assistance programs. The program offices were the Offices of Macroeconomic Affairs and Development Finance in IFD, the Offices of International Intellectual Property Enforcement and Multilateral Trade Affairs in TPN, and the Office of Transportation Policy in TRA. OIG found EB met requirements for program evaluation under 18 FAM 301.4-4.<sup>30</sup> Finally, OIG reviewed five (out of nine) active, expired, and closed grants and cooperative agreements issued by EB from FY 2021 through FY 2024 with a total value of approximately \$17 million.<sup>31</sup> OIG found that EB generally managed the ITSI Fund and Fiscal Transparency Innovation Fund programs in accordance with Department standards but noted deficiencies in EB's management of other foreign assistance programs, as discussed below.

***Bureau Lacked Standard Operating Procedures and Sufficient Training To Manage Foreign Assistance Programs in Accordance With Department Standards***

OIG found EB did not have standard operating procedures and sufficient training for its staff to manage its foreign assistance programs in accordance with Department standards. As a result, OIG identified the following deficiencies with the bureau's management of its foreign assistance programs and federal assistance award files:

- EB did not document program design in accordance with 18 FAM 301.4-2,<sup>32</sup> which requires bureaus to complete an alignment to higher level strategies, a situational analysis, goals and objectives, and a logic model. OIG observed the documentation was sometimes incomplete, not responsive to the requirements, outdated, and not uniform throughout EB. For example, the required situational analysis, which should include an internal assessment to understand the capabilities within an office or bureau,<sup>33</sup> was missing for two programs and outdated for another.

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<sup>30</sup> This section of the FAM was updated in December 2024, after fieldwork for this inspection. The requirements are still incorporated within 18 FAM 301, though the requirements for program evaluation were expanded.

<sup>31</sup> Two foreign assistance funded contracts were included in the contracts review noted in the Resource Management section of this report.

<sup>32</sup> This section of the FAM was updated in February 2025, after fieldwork for this inspection. The requirement for documenting program design is now incorporated under 18 FAM 301.4-2d.

<sup>33</sup> According to the Department's Guidance for the Design, Monitoring and Evaluation Policy and its Program Design and Performance Management Toolkit, a situational analysis as required in 18 FAM 301.4-2, should include an internal assessment.

- There was no evidence of program-wide monitoring plans, contrary to Department standards in 18 FAM 301.4-3.<sup>34</sup>
- EB did not provide—and OIG could not identify—documents describing the bureau’s approach to risk management for its foreign assistance programs, contrary to the Federal Assistance Directive.<sup>35</sup>
- The files for competitively selected awards lacked a summary of the review panel’s discussion and copies of written reviews, contrary to the Federal Assistance Directive.<sup>36</sup>
- The bureau’s grants officer representatives were not using the post-award activities function in the MyGrants system,<sup>37</sup> as required by the Federal Assistance Directive.<sup>38</sup>

OIG determined the lack of documented standard operating procedures contributed to the above deficiencies, including procedures that ensure appropriate analysis and assessments are taking place during program design. OIG also assessed that lack of training contributed to these issues. The Government Accountability Office’s *Standards for Internal Control in the Federal Government*, Principle 3.10,<sup>39</sup> states that effective documentation assists in promoting internal controls by establishing and communicating responsibilities to personnel and providing a means to retain organizational knowledge. Furthermore, 13 FAM 101.2-2(E)(1) states that managers and supervisors are responsible for determining the specific needs of their employees and ensuring they receive training for effective job performance.

EB staff told OIG they often did not have the knowledge of foreign assistance processes to manage foreign assistance programs and awards and noted that standard bureau guidance would help them understand their responsibilities. Staff also told OIG that they often did not identify a trained and available grants officer representative or contracting officer’s representative (COR) to support a program until after applying for new funding. As a result, such offices had to either rely on a grants officer representative or COR from another office, or staff had to take training on short notice to become certified to manage an award. OIG also found that some staff responsible for a foreign assistance program did not have the necessary skills for award planning, including selecting an appropriate assistance or acquisition instrument, and managing associated award timelines and steps. This resulted in EB forfeiting almost \$2 million at the end of FY 2023<sup>40</sup> when it failed to appropriately plan for how to fund a contract with option years. Subsequently, EB was not allocated additional funding for this program, and the program ended 3 years early. Lack of standard operating procedures and

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<sup>34</sup> This section of the FAM was updated in December 2024, after fieldwork for this inspection. The requirement for monitoring plans is now incorporated under 18 FAM 301.4-3(B).

<sup>35</sup> Federal Assistance Directive (October 2022 and later revisions), Chapter 2, Section K.

<sup>36</sup> Ibid, Chapter 2, Section H.5.

<sup>37</sup> EB transitioned to the MyGrants system for award management in April 2024.

<sup>38</sup> Federal Assistance Directive, Chapter 4, Section D.

<sup>39</sup> Government Accountability Office, *Standards for Internal Control in the Federal Government*, page 29 (GAO-14-704G, September 2014).

<sup>40</sup> The Department was able to redirect the funds to another bureau to prevent them from expiring and being returned to the Department of the Treasury.

insufficient training to manage foreign assistance jeopardized Department resources and its ability to meet program objectives.

**Recommendation 1:** The Bureau of Economic and Business Affairs should implement standard operating procedures for planning and managing foreign assistance programs and federal assistance awards in accordance with Department standards. (Action: EB)

**Recommendation 2:** The Bureau of Economic and Business Affairs should implement a training plan for staff responsible for planning and managing foreign assistance programs and federal assistance awards. (Action: EB)

## RESOURCE MANAGEMENT

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OIG reviewed EB's internal control systems in general services, human resources, financial management, and general management. Overall, OIG found that EB's Executive Office<sup>41</sup> generally implemented required processes and procedures in accordance with applicable laws and Department guidance. However, OIG identified an issue with the bureau's COR program, described below. Additionally, as described below, staff reported to OIG concerns that resource limitations could affect the bureau's operations.

### General Management

#### ***Contracting Officer's Representative Program Did Not Fully Comply With Department Standards***

EB's COR program did not fully comply with Department standards. EB's Executive Office provided OIG with a roster of 35 contracts and their assigned CORs.<sup>42</sup> OIG interviewed multiple CORs and reviewed files and documentation for 30 contracts, and noted the following deficiencies:

- The contract roster EB provided to OIG was incomplete and inaccurate. For example, six current contracts were not included on the roster, one contract was listed twice, and two of the listed contracts did not fall under EB. This brought the total number of contracts to 38.<sup>43</sup> Furthermore, of the contracts on the roster, three did not list a COR and six listed the wrong CORs. Federal Acquisition Regulation 4.802 states contract files must be centrally maintained at the organizational level to ensure they are properly documented, readily accessible, and conform to agency regulations.

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<sup>41</sup> The Executive Office provided a full range of management and administrative services to EB, including organization, budget, personnel, security, information technology, and general management. The Executive Office also provided management and administrative services to the Bureau of Energy Resources, the Office of Global Partnerships, the Office of Global Food Security, and the Subnational Diplomacy Unit.

<sup>42</sup> The Bureau of Administration's Office of Acquisitions Management provided contracting officers for these awards, and EB provided the oversight staff, including the CORs.

<sup>43</sup> OIG determined the bureau's CORs oversaw a total of 38 contracts worth approximately \$30 million.

- The bureau's CORs maintained most of their contract and COR files in EB's shared drive, rather than in the Integrated Logistics Management System's (ILMS)<sup>44</sup> e-Filing module as required in 14 FAH-2 H-142b(16)(b).
- Files that were maintained in ILMS did not include key documents, such as copies of COR designation letters, correspondence with the contractor, copies of invoices or payments, and other pertinent information in accordance with 14 FAH-2 H-517.

Additionally, CORs did not complete mandatory contractor performance assessments in the Contractor Performance Assessment Reporting System,<sup>45</sup> as required by 14 FAH-2 H-572a, c, and d, and Federal Acquisition Regulation 42.1502(a) and (b). Despite these issues, OIG's interviews with EB staff, as well as reviews of other documentation showed the bureau monitored contracts and received goods and services for which it had contracted.

EB staff told OIG they were unfamiliar with some requirements and were not able to devote sufficient time to overseeing awards because of their other duties. Additionally, according to documentation provided to OIG, most CORs were responsible for multiple awards. Furthermore, some CORs reported difficulty using ILMS e-Filing and did not have access to the Contractor Performance Assessment Reporting System. Noncompliance with contract file and COR file requirements increases the risk of contract mismanagement.

**Recommendation 3:** The Bureau of Economic and Business Affairs, in coordination with the Bureau of Administration, should bring its contract and contracting officer's representative files into compliance with Department and federal guidance. (Action: EB, in coordination with A)

### ***Staff Reported Bureau Faced Resource Limitations That Could Affect Operations***

EB staff reported that the bureau faced resource limitations, including staffing shortfalls, that affected its ability to support its increased responsibilities. OIG determined the bureau's responsibilities increased in several areas, including the number and complexity of sanctions actions, debt restructuring, investment screening, business conduct mediations, infrastructure security, and foreign assistance programs. For example, EB staff reported to OIG they were directed to take on new outbound investment screening responsibilities without additional personnel being provided. Furthermore, due to vacancies in EPPD, a single staff member was responsible for multiple bureau-wide processes. This impeded the office's ability to support the bureau, particularly regarding foreign assistance.

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<sup>44</sup> ILMS is an integrated web-based system that encompasses all Department supply chain functions in one system. ILMS is designed to upgrade Department supply chain management by improving operations in areas such as purchasing, procurement, warehousing, transportation, property management, personal effects, and diplomatic pouch and mail.

<sup>45</sup> The Contractor Performance Assessment Reporting System is the government-wide evaluation reporting tool for all past performance reports on contracts and orders. An annual performance assessment must be completed in the system for each contract above the simplified acquisition threshold of \$250,000, according to Federal Acquisition Regulation 42.1502(a) and (b).

EB documented in its Functional Bureau Strategy that it lacked sufficient personnel to meet the demands for the bureau's services and programs. Additionally, in its Bureau Resource Request, EB acknowledged temporary staffing and funding mechanisms created uncertainty for planning. For example, the bureau staffed its sanctions work using Ukraine- and Israel-related supplemental funds, and 6 ITSI positions were funded by the CHIPS Act of 2022. These funding sources will expire at the end of FY 2025 and FY 2027, respectively. EB requested additional positions in its Bureau Resource Request. However, OIG noted EB had not included needs for administration policy priorities that were staffed using outside funding. At the time of the inspection, the bureau had not been successful in securing its requests for additional personnel.

OIG does not make specific recommendations to address staffing and budget-related issues because managing such resources, and making decisions where trade-offs are necessary, is the policy responsibility of Department and bureau leadership. OIG is including the issues in this report to ensure that Department and bureau leadership are aware of staff concerns around these issues.

## INFORMATION MANAGEMENT

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EB's IT unit had one direct-hire employee, one contractor, and one part-time Pathways Fellow to support the information management and security functions for the bureau.<sup>46</sup> At the time of the inspection, the IT unit was awaiting the hiring and onboarding of one additional direct-hire employee. The IT unit's staff provided technical guidance, assistance, and support to over 400 users, including contractors, detailees, fellows, and interns. As a domestic consolidated bureau, the IT unit also receives assistance from the Bureau of Diplomatic Technology for service and support.<sup>47</sup>

OIG found the IT unit generally performed information management and information security responsibilities in accordance with Department standards. This included access controls, cybersecurity awareness and change control processes. During the inspection, IT unit staff established an information systems security officer (ISSO) account for conducting ISSO duties. As a result, OIG did not make a recommendation to address this specific issue. However, OIG identified other issues related to ISSO duties, the records management program, and knowledge management processes for information management operations, as detailed below.

### ***Information Systems Security Officer Did Not Perform All Required Duties***

EB's designated primary ISSO did not perform ISSO duties consistently for classified and OpenNet<sup>48</sup> networks. Additionally, the ISSO did not perform reviews using the ISSO checklist, as required by 5 FAH-11 H-116. Finally, OIG found that the bureau had not trained or designated

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<sup>46</sup> The IT unit, as part of EB's Executive Office, also supported the Bureau of Energy Resources, the Office of Global Partnerships, the Office of Global Food Security, and the Subnational Diplomacy Unit.

<sup>47</sup> The IT consolidation project centralized bureau IT service and support operations under the Bureau of Diplomatic Technology, with a goal of improving the Department's IT effectiveness and security.

<sup>48</sup> OpenNet is the Department's Sensitive But Unclassified network.

an alternate ISSO in compliance with 5 FAM 825a and b(4). Failure to perform required ISSO responsibilities leaves Department networks vulnerable to potential unauthorized access and malicious activity.

**Recommendation 4:** The Bureau of Economic and Business Affairs should require information systems security officers to perform their duties in accordance with Department standards. (Action: EB)

***Bureau's Records Management Program Did Not Comply With Department Standards***

The bureau's Executive Office did not establish and maintain an active records management program in accordance with 5 FAM 418.8b. The records management program did not comply with Department standards for records lifecycle processes, including organization, archiving, retirement, and oversight. OIG's review found that official records<sup>49</sup>—both paper and electronic—were not retired in accordance with disposition schedules as required by 5 FAM 451b. Specifically, OIG did not identify program files for Assistant Secretaries who served from January 2017 through January 2022 had been retired according to Department standards. Additionally, digital records repositories and filing systems were not organized and managed to allow for continuous accountability and quick retrieval of Department official records, as required by 5 FAM 418.8b(4)(d)(i) and (ii).

OIG found that these issues occurred because the records management program, managed by the Executive Office, did not include internal policies and procedures that specified records management responsibilities in each of EB's divisions and offices. In addition, the bureau records coordinator did not regularly review the bureau's records management program and practices. Without a records management program that complies with Department requirements, the bureau is vulnerable to inefficient information retrieval and loss of critical documentation.

**Recommendation 5:** The Bureau of Economic and Business Affairs should implement a records management program that complies with Department standards. (Action: EB)

***Bureau Lacked Knowledge Management Processes for Managing Information Management Operations***

EB lacked up-to-date and consistent documentation and historical information for managing OpenNet operations, as required in 5 FAM 867. OIG found minimal documentation to explain information management operational and systems maintenance activities, including documents

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<sup>49</sup> As defined in 44 U.S.C. § 3301, official records include "all recorded information, regardless of form or characteristics, made or received by a Federal agency under Federal law or in connection with the transaction of public business and preserved or appropriate for preservation by that agency or its legitimate successor as evidence of the organization, functions, policies, decisions, procedures, operations, or other activities of the United States Government or because of the informational value of data in them." Official records do not include "library and museum material made or acquired and preserved solely for reference or exhibition purposes; or duplicate copies."

related to OpenNet configurations. Instead, IT unit staff relied on verbal communication, on-the-job training, and emails to capture and share knowledge. According to 5 FAM 867, IT managers are required to maintain documentation for all aspects of computer support and operations to ensure continuity and consistency. Without a structured and formalized knowledge management process, valuable information and knowledge could be lost when staff members change positions, retire, or leave their positions within the bureau.

**Recommendation 6:** The Bureau of Economic and Business Affairs should implement knowledge management procedures for capturing, sharing, transferring, and retaining information related to its information management program. (Action: EB)

## RECOMMENDATIONS

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OIG provided a draft of this report to Department stakeholders for their review and comment on the findings and recommendations. OIG issued the following recommendations to the Bureau of Economic and Business Affairs. The bureau's complete response can be found in Appendix B. The bureau also provided technical comments that were incorporated into the report, as appropriate.

**Recommendation 1:** The Bureau of Economic and Business Affairs should implement standard operating procedures for planning and managing foreign assistance programs and federal assistance awards in accordance with Department standards. (Action: EB)

**Management Response:** In its April 21, 2025, response, the Bureau of Economic and Business Affairs concurred with this recommendation. The bureau noted an estimated completion date of July 2025. Additionally, the bureau requested that OIG provide a list of all specific standard operating procedures needed to ensure compliance.

**OIG Reply:** OIG considers the recommendation resolved. The standard operating procedures should encompass Department requirements and guidance related to program and project design, monitoring and evaluation, and managing federal assistance awards.<sup>1</sup> The recommendation can be closed when OIG receives and accepts documentation that the Bureau of Economic and Business Affairs implemented standard operating procedures for planning and managing foreign assistance programs and federal assistance awards in accordance with Department standards.

**Recommendation 2:** The Bureau of Economic and Business Affairs should implement a training plan for staff responsible for planning and managing foreign assistance programs and federal assistance awards. (Action: EB)

**Management Response:** In its April 21, 2025, response, the Bureau of Economic and Business Affairs concurred with this recommendation. The bureau noted an estimated completion date of July 2025.

**OIG Reply:** OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the Bureau of Economic and Business Affairs implemented a training plan for staff responsible for planning and managing foreign assistance programs and federal assistance awards.

**Recommendation 3:** The Bureau of Economic and Business Affairs, in coordination with the Bureau of Administration, should bring its contract and contracting officer's representative files

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<sup>1</sup> These requirements include 18 Foreign Affairs Manual (FAM) 301.4-2d; 18 FAM 301.4-3(B); the Department's Guidance for the Design, Monitoring and Evaluation Policy and the Program Design and Performance Management Toolkit; and Federal Assistance Directive (October 2022 and later revisions), Chapter 2, Sections K and H.5 and Chapter 4, Section D.

into compliance with Department and federal guidance. (Action: EB, in coordination with the Bureau of Administration)

**Management Response:** In its April 21, 2025, response, the Bureau of Economic and Business Affairs concurred with this recommendation.

**OIG Reply:** OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the Bureau of Economic and Business Affairs' contract and contracting officer's representative files complied with Department and federal guidance.

**Recommendation 4:** The Bureau of Economic and Business Affairs should require information systems security officers to perform their duties in accordance with Department standards. (Action: EB)

**Management Response:** In its April 21, 2025, response, the Bureau of Economic and Business Affairs concurred with this recommendation.

**OIG Reply:** OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the Bureau of Economic and Business Affairs required information systems security officers to perform their duties in accordance with Department standards.

**Recommendation 5:** The Bureau of Economic and Business Affairs should implement a records management program that complies with Department standards. (Action: EB)

**Management Response:** In its April 21, 2025, response, the Bureau of Economic and Business Affairs concurred with this recommendation.

**OIG Reply:** OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the Bureau of Economic and Business Affairs implemented a records management program that complies with Department standards.

**Recommendation 6:** The Bureau of Economic and Business Affairs should implement knowledge management procedures for capturing, sharing, transferring, and retaining information related to its information management program. (Action: EB)

**Management Response:** In its April 21, 2025, response, the Bureau of Economic and Business Affairs concurred with this recommendation. The bureau noted an estimated completion date of August 2025.

**OIG Reply:** OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the Bureau of Economic and Business

Affairs implemented knowledge management procedures for capturing, sharing, transferring, and retaining information related to its information management program.

## PRINCIPAL OFFICIALS

<b>Title</b>	<b>Name</b>	<b>Arrival Date</b>
Assistant Secretary	Vacant	
Principal Deputy Assistant Secretary	Amy Holman <sup>a</sup>	12/2023
Special Representative for Commercial and Business Affairs	Sarah Morgenthau	10/2023
Deputy Assistant Secretary (Threat Finance Countermeasures & Economic Sanctions)	Vacant	
Acting Deputy Assistant Secretary (International Finance & Development)	Roland de Marcellus	11/2019
Deputy Assistant Secretary (Trade Policy & Negotiations)	Robert Garverick	3/2024
Deputy Assistant Secretary (Transportation Affairs)	Heidi Gómez	7/2023
Office of Economic Policy and Public Diplomacy	Vacant	
Executive Director	Joni Scandola	8/2023

<sup>a</sup> At the time of the inspection, Amy Holman was serving as the acting Assistant Secretary.

**Source:** OIG generated from data provided by the Bureau of Economic and Business Affairs.

## APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY

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This inspection was conducted from September 3, 2024, to January 16, 2025, in accordance with the Quality Standards for Inspection and Evaluation, as issued in 2020 by the Council of the Inspectors General on Integrity and Efficiency, and the Inspections Handbook, as issued by the Office of Inspector General (OIG) for the Department and the U.S. Agency for Global Media (USAGM).

### Objectives and Scope

The Office of Inspections provides the Secretary of State, the Chief Executive Officer of USAGM, and Congress with systematic and independent evaluations of the operations of the Department and USAGM. Consistent with Section 209 of the Foreign Service Act of 1980, OIG's specific objectives for this inspection were to determine whether the Bureau of Economic and Business Affairs:

- (1) Leadership adhered to the Department's leadership and management principles, and equal employment opportunity principles.
- (2) Followed Department guidelines governing strategic direction, program and project design, monitoring, and evaluation.
- (3) Took steps to address staffing needs, such as using recruitment and retention incentives, providing staff development and training, improving hiring processes, using temporary staffing arrangements, and expanding third-party contractors.
- (4) Carried out its program and policy implementation responsibilities in accordance with applicable standards.
- (5) Managed its foreign assistance responsibilities in accordance with Department and other applicable guidance.
- (6) Maintained an effective system of internal controls in accordance with applicable Department standards.
- (7) Managed its information technology operations in compliance with applicable information security and management standards.

### Methodology

OIG used a risk-based approach to prepare for this inspection. OIG conducted portions of the inspection remotely and relied on audio- and video-conferencing tools in addition to in-person interviews with Department and other personnel. OIG also reviewed pertinent records; circulated surveys and compiled the results; and discussed the substance of this report and its findings and recommendations with offices, individuals, and organizations affected by the inspection. OIG used professional judgment and analyzed physical, documentary, and testimonial evidence to develop its findings, conclusions, and actionable recommendations.

This review was conducted consistent with the Fiscal Year 2024 Joint Strategic Oversight Plan for Operation Atlantic Resolve, Including U.S. Government Activities Related to Ukraine, which

was released in October 2023 by the Inspectors General of the Departments of State, Defense, and the U.S. Agency for International Development.

## APPENDIX B: MANAGEMENT RESPONSE

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United States Department of State

Washington, DC 20520

UNCLASSIFIED

April 21, 2025

TO:            OIG – Lisa Rodely, Acting Assistant Inspector General for  
                  Inspections

FROM:         EB – Thomas E. Lersten, SBO

SUBJECT:     Response to Draft OIG Report – Inspection of the Bureau of  
                  Economic and Business Affairs

The Bureau of Economic and Business Affairs (EB) has reviewed the draft OIG inspection report. We provide the following comments in response to the recommendations provided by the OIG:

**OIG Recommendation 1:** The Bureau of Economic and Business Affairs should implement standard operating procedures for planning and managing foreign assistance programs and federal assistance awards in accordance with Department standards. (Action: EB)

**Management Response:** The Bureau of Economic and Business Affairs concurs with the recommendation. The Bureau is drafting standard operating procedures (SOP) for planning and managing foreign assistance programs and federal assistance awards in accordance with Department standards. For implementation, EB will distribute those SOPs to all program managers who will administer the programs. The expected completion date is July 2025.

The Bureau requests OIG to provide a list of all specific SOPs needed to ensure the Bureau is in compliance with the OIG report recommendation.

**OIG Recommendation 2:** The Bureau of Economic and Business Affairs should implement a training plan for staff responsible for planning and managing foreign assistance programs and federal assistance awards. (Action: EB)

**Management Response:** The Bureau of Economic and Business Affairs concurs with the recommendation. The Bureau is drafting a training plan for staff responsible for planning and managing foreign assistance programs and federal assistance awards. The expected completion date is July 2025.

**OIG Recommendation 3:** The Bureau of Economic and Business Affairs, in coordination with the Bureau of Administration, should bring its contract and contracting officer's representative files into compliance with Department and federal guidance. (Action: EB, in coordination with the Bureau of Administration)

**Management Response:** EB concurs with the recommendation. EB has met with the Bureau of Administration to develop a plan for bringing EB's contract and contracting officer's representative files into compliance with Department and federal guidance.

**OIG Recommendation 4:** The Bureau of Economic and Business Affairs should require information systems security officers to perform their duties in accordance with Department standards. (Action: EB)

**Management Response:** EB concurs with the recommendation. EB has implemented the recommendation by filling the vacant GS-12 IT Specialist position, with the selected employee assigned as the primary ISSO. The lead IT Specialist has been designated as the alternate ISSO. Additionally, the performance plans for both the primary and alternate ISSOs have been updated to reflect their respective ISSO responsibilities. These duties will be formally reviewed and discussed during the next performance appraisal.

**OIG Recommendation 5:** The Bureau of Economic and Business Affairs should implement a records management program that complies with Department standards. (Action: EB)

**Management Response:** EB concurs with the recommendation. EB has implemented the recommendation by appointing a Bureau Records Coordinator. This individual will ensure that each office establishes and maintains a records management program and disposition schedule in full compliance with Department standards.

**OIG Recommendation 6:** The Bureau of Economic and Business Affairs should implement knowledge management procedures for capturing, sharing, transferring, and retaining information related to its information management program. (Action: EB)

**Management Response:** EB concurs with the recommendation. EB has implemented the recommendation by establishing an IT SOP program. This program will encompass all relevant information management elements for which EB has system ownership, as outlined in 5 FAM 867. EB will coordinate with DT to obtain the necessary security and contingency plans for OpenNet, which is under DT's ownership. Additionally, the Bureau is updating inventory and operational documentation and storing it in the Bureau's Executive Office SharePoint site. Completion of this effort is anticipated by August 2025.

## ABBREVIATIONS

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CBA	Office of Commercial and Business Affairs
CHIPS	Creating Helpful Incentives to Produce Semiconductors
COR	Contracting Officer's Representative
EB	Bureau of Economic and Business Affairs
EPPD	Office of Economic Policy Analysis and Public Diplomacy
FAH	Foreign Affairs Handbook
FAM	Foreign Affairs Manual
G7	Group of Seven
IFD	International Finance and Development
ILMS	Integrated Logistics Management System
ISSO	Information Systems Security Officer
ITSI	International Technology Security and Innovation
TPN	Trade Policy and Negotiations
TFS	Counter Threat Finance and Sanctions
U.S.C.	U.S. Code



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