



Office of Inspector General
*U.S. Department of State
and the
Broadcasting Board of Governors*

MONTHLY REPORT OF ACTIVITIES

audits, inspections, testimony, and special activities

December 2004

This report describes OIG reports issued during the period indicated and testimony of the Inspector General, if any. This report includes unclassified summaries of classified reports; all text in this report is unclassified. All reports are made available to Congress but classified and Sensitive But Unclassified reports are not distributed publicly. In addition, all major reports, together with OIG investigative activities, are summarized in the Inspector General's semiannual reports to the Congress, which are publicly available every June and December.

Office of Audits

Review of the Department of State's Overseas Purchase Card Program **(AUD/PPA-05-01)**

As a follow-up to a 2001 review,¹ OIG conducted a 2004 review of the Department's overseas purchase card program. OIG found that the Department could improve purchase card program effectiveness and internal controls.

Only 60 percent of the annual reviews, or 11 of 18 overseas posts, that OIG examined were completed. The majority of responsible officials interviewed were not fully aware of their annual review responsibilities; examination of 3,537 purchase card transactions indicated that responsible officials did not approve bank statements, buying logs, and reconciliations; and cardholders allowed unauthorized persons at post to use cards. Also, key purchase card participants, including approving officials and financial management officers, had not received required training. The Department used the purchase card for only 30 percent of its overseas small purchases (55,079 of 183,112) in FY 2003. If the Department had used the card on all overseas small purchases, it could have earned an estimated \$910,000 in additional volume rebates from its purchase card provider. Also, the Department's untimely purchase card payments negatively affected the amount of rebates received in FY 2003. Had all invoices been paid within 30 days, the Department could have earned an estimated \$20,000 in additional productivity rebates from its purchase card provider.

OIG concluded that the Department should strengthen procedures on conducting annual reviews, improve daily administrative oversight, enhance training, and take steps to maximize rebates by expanding the policy on using the cards for higher dollar procurements and issuing guidance on the importance of timely payment performance.

¹ OIG, *Survey of the Worldwide Purchase Card Program – Domestic Operations* (01-FMA-M-081, Sept. 2001).

Assessment of the Certification and Accreditation, Change Management, and Patch Management Processes (AUD/FM-05-06)

OIG contracted with Leonard G. Birnbaum and Company, LLP (LGB), an independent certified public accounting firm, to audit the Department of State's principal financial statements. On behalf of LGB, EWA Information and Infrastructure Technologies, Inc. (IIT) assessed the Department's certification and accreditation (C&A), change management (CM), and patch management (PM) processes. This work was done to assist LGB in assessing internal controls and Department compliance with OMB Circular A-130, which requires all federal agencies to establish an automated information system security program and describes the minimum requirements that must be met.

IIT found that the Department's C&A process complied with OMB requirements and the standards in the National Institute of Standards and Technology (NIST) Special Publication 800-37, *Guide for the Security Certification and Accreditation of Federal Information Systems*. Full implementation of the C&A process will improve the overall information technology (IT) security posture of the Department. IIT also found that the Department's CM and PM processes are closely integrated with the C&A process, which will help ensure a unified and coherent IT security approach within the Department.

IIT assigned significant credit for the Department's rapid progress to the establishment of the Bureau of Information Resource Management, Office of Information Assurance (IRM/OIA), and system security responsibilities under its auspices. The previous decentralization of relevant functions and responsibilities was an inefficient approach to achieving an acceptable level of compliance. IRM/OIA moved the efforts forward rapidly without compromising essential standards. Although the effort had not fully matured at the time of this assessment, the available evidence supports OIG's conclusion that the C&A, CM, and PM processes should proceed successfully.

Vulnerability Assessment of the Foreign Affairs Retirement and Disability System (AUD/FM-05-07)

In compliance with the Chief Financial Officers Act (P. L. 101-576), as amended, the Office of Inspector General contracted with Leonard G. Birnbaum and Company, LLP (LGB), an independent certified public accounting firm, to audit the Department's principal financial statements. The Office of Management and Budget (OMB) Bulletin 01-02 requires that the auditor gain an understanding of and assess the adequacy of internal controls including, controls over relevant automated systems that process financial data. In addition, the auditor must determine whether an agency complies with applicable laws and regulations.

To assist LGB, EWA Information and Infrastructure Technologies, Inc. (IIT) performed a vulnerability assessment of the internal controls of the Foreign Affairs Retirement and Disability System (FARADS) financial management system. This work also helped LGB determine whether the Department complied with OMB Circular No. A-130, which requires all federal agencies to establish automated information system security programs and describes the minimum requirements for those programs.

FARADS is a mainframe-based application. IIT found that the security posture of the network domain that hosts the Department's mainframe systems was very good. Overall, IIT found that the application-specific security features associated with FARADS appeared to function correctly and were well managed.

Agreed-Upon Procedures Report on Federal Intragovernmental Activity and Balances (AUD/FM-05-10)

The Department of the Treasury annually prepares and submits to the President and the Congress an audited financial statement covering all executive agencies. Each agency is required to furnish certain financial and operational information to the Department of the Treasury, including information on intragovernmental activity and balances.

Under OIG's direction, Leonard G. Birnbaum and Company, LLP (LGB), an independent certified public accounting firm, performed required procedures solely to assist the Department of the Treasury in the preparation of, and the U.S. Government Accountability Office in the audit of, the consolidated financial statements of the U.S. Government as of and for the year ended September 30, 2004. The auditor reviewed the Department's trading partner data for intragovernmental activity and balances; traced the data to the Department's general ledger and supporting schedules; and traced any differences between the Department and its trading partners from the Department of the Treasury reports to explanations from the Department's supporting documentation. The auditor did not note any discrepancies.

Office of Inspections

Review of Treaty Management Responsibilities in the Office of Treaty Affairs **(ISP-C-05-01)**

In response to a congressional request, OIG reviewed the treaty management responsibilities of the Office of the Legal Adviser (L). The starting point for this review was the findings and recommendations made in a previous OIG inspection of L (*Inspection of the Office of the Legal Adviser, ISP-I-03-34, September 2003*). This report also included a review of the specific circumstances behind L's failure to report a number of international agreements to Congress as required by law.

The 2003 inspection identified a number of weaknesses in L's ability to carry out the mandate to report certain international agreements to Congress. The bureau had carried out some, but not all, of OIG's recommendations to address these weaknesses. This review identified additional and more specific issues, and made new recommendations to improve accountability and prevent this failure from recurring.

This review concluded that insufficient staffing and space contributed to, but did not cause, the breakdown in reporting. OIG found that existing resources had not been well managed. The culture of the office emphasized legal work and understated the importance of program duties such as maintaining archives, publishing completed treaties, and reporting international agreements to the Congress. No one, for example, was in overall charge of files and record management.

OIG made several recommendations to address the weaknesses identified in the review, including that L create and fill an administrative position with overall responsibility for managing the Department's treaty archives, and that an attorney be made a de facto deputy, responsible for overall management and operations. OIG also recommended that L improve its management controls, and replace its paper records with a searchable, electronic database of treaty and agreement actions.

Inspection of the Bureau of Diplomatic Security, Directorate of Security Infrastructure (ISP-I-05-45)

OIG's inspection of the Bureau of Diplomatic Security, Directorate of Security Infrastructure, found that combining what were formerly three divisions in separate offices under one directorate has improved overall effectiveness. OIG found that the Directorate of Security Infrastructure is customer-focused, delivering services in a timely, transparent, and practical manner. The recent establishment of a customer service unit in the Office of Personnel Security and Suitability will help to institutionalize the customer service orientation.

The inspection noted that the widespread use of contractors was necessary and in keeping with the President's Management Agenda goal of outsourcing. However, OIG noted that the practice requires cost conscious acquisition planning and close contract management.

The Office of Personnel Security and Suitability had reduced the average processing time of a security clearance from 195 days in 2003 to 119 days in 2004. Fifty-two percent of clearances were completed in less than 90 days. Plans to restructure the office should result in additional improvements. However, OIG found that 16 percent of a representative sample of investigative files lacked conclusive fingerprint information from the Federal Bureau of Investigation, precluding reliable cross-referencing of felony arrest records and intelligence information. OIG made a recommendation to correct this vulnerability.

The Adjudications Division had made significant progress in addressing investigative deficiencies noted in a previous OIG review, but some deficiencies remained. Only 31 percent of reviewed files met all investigative standards appropriate to the class of investigation. The final decision to grant a clearance was not reviewed by a supervisor in 43 percent of cases examined by OIG. OIG recommended that the Bureau of Diplomatic Security establish procedures to verify that all background files are complete and meet federal standards.

The Office of Information Security has improved the Department's management of classified information. However, the office still does not have accurate records on the designation of Top Secret control officers or on the Department's overall inventory of Top Secret material. OIG recommended that DS ensure that each Department bureau comply with the Top Secret control program.

Inspections of the Bureau of Arms Control (ISP-I-05-49); the Bureau of Nonproliferation (ISP-I-05-50); and the Bureau of Verification and Compliance (ISP-I-05-51)

OIG inspected three of the bureaus reporting to the Under Secretary for Arms Control and International Security (T). The inspections coincided with the fifth anniversary of the integration of the Arms Control and Disarmament Agency (ACDA) into the Department of State. OIG's objectives were to examine the performance of the individual bureaus, and also to gauge the effectiveness of their interaction and, by extension, the effectiveness of the merger itself.

OIG's inspections found that the integration of ACDA into the Department produced a bureaucratic architecture that did not meet current needs. Performance of the three resultant bureaus – Arms Control (AC), Nonproliferation (NP), and Verification and Compliance (VC) – was impeded by unclear lines of authority, uneven workload, and unproductive competition.

OIG found that the three bureaus were advancing their primary missions in spite of an inefficient bureaucratic structure. NP had made important gains in strengthening international regimes to deter the spread of weapons of mass destruction (WMD). NP's efforts to halt Russian plutonium production and strengthen the International Atomic Energy Agency have made the world safer. VC had advanced its mandate, promoting the independence and the integrity of the verification and compliance process. AC had provided continued support to U.S. arms control efforts and encouraged missile defense cooperation.

In a few areas, the three bureaus had worked together in exemplary fashion. Ensuring that Libya followed through on its December 2003 disarmament commitments on WMD and missiles is a prime example. More typically, however, OIG found that the performance of the bureaus individually had exceeded their performance as a group. OIG recommended that the Department establish a task force to craft the merger of the Bureau of Arms Control and the Bureau of Nonproliferation. In response to the draft report, the Secretary of State directed the Under Secretary for Management to establish a task force charged with evaluating the current organization of the T family bureaus, making recommendations for necessary changes and preparing an implementation strategy for any structural changes.

OIG believes an optimal structure would result from merging AC and NP functions and redefining VC as a specialized entity (instead of a bureau), similar to the U.S. Global AIDS Coordinator or the Director of Policy Planning, with direct, independent reporting responsibility to the Secretary. This merger and redefinition should eliminate unnecessary duplication, ensure accountability, improve management, and focus staff more effectively on their primary missions.

In addition to the overall issue of restructuring, OIG also identified shortcomings related to staffing and hiring procedures, financial management controls, and the balance of Civil Service and Foreign Service staff in the three bureaus.

Report of Management Review Of Visa and Passport Fraud Prevention Programs (ISP-CA-05-52)

OIG reviewed the management of the Bureau of Consular Affairs (CA) and Bureau of Diplomatic Security (DS) consular fraud prevention programs as part of its overall evaluation of rapidly changing consular processes following September 11, 2001. These reviews are in response to the greater emphasis on border control in support of the new U.S. national security mandate.

OIG's review found that CA and DS deserve significant credit for beginning the fraud prevention program with their memorandum of understanding (MOU) signed on July 30, 1996, long before the events of September 11, 2001, and subsequently expanding that program as border security took on new importance. A significant effort to combat consular fraud has been the creation of dedicated investigator positions overseas. Where these investigative positions are in place, the incumbents fully trained and adequately supported by both missions and Washington, they have shown clear, positive results in detecting and deterring fraud in both visa and passport functions.

CA has also acknowledged the importance of fraud prevention with new initiatives such as an excellent fraud prevention web site and an e-room to serve as a forum for exchanging intelligence and ideas concerning fraud prevention. OIG considers that additional steps can be taken to support the existing programs and to make better use of the lessons learned to improve and expand antifraud efforts around the world.

The realization that effective visa and passport fraud prevention is an essential ingredient of U. S. border security has not fully permeated all levels of the Department. OIG's review revealed that a lack of resources, inadequate communications, and insufficient training impeded fraud prevention efforts.

In terms of staffing, OIG found that consular fraud prevention is a critical, but often overlooked, officer responsibility; however, it is not a career specialty and receives inadequate professional recognition. There is no clear path whereby officers with strong fraud prevention training, aptitude, and experience can put their talent to use in such assignments and enhance their careers. This uncertainty adversely affects staffing.

The Office of Fraud Prevention Programs (CA/FPP) is the only office in CA entirely devoted to fraud prevention efforts. Its role and effectiveness in supporting the field is unclear to consular fraud prevention managers, DS agents, and often to other agencies, which have frequently cited contacts with DS, but not CA/FPP. The office could improve detecting and addressing systemic problems as well as conducting meaningful exchanges of information with posts. Additionally, the office's training responsibilities are not being carried out as effectively as they could be. Analysis and dissemination of fraud reporting based on information from the field also need to be reinstated in CA/FPP. OIG considers that CA/FPP would benefit from organizational realignment. The report contains several recommendations to improve the Department's fraud prevention efforts.

Review of Off-Site Support to Embassy Baghdad and Constituent Units (ISP-IQO-05-53)

The U.S. mission in Iraq is one of the largest and most complex U.S. missions in the world, with several thousand employees and contractors. The embassy's operating budget is approximately \$766 million for FY 2005. Reliance on military contractors to provide life support adds to the uniqueness of the mission.

The direct and immediate threat to Iraqi nationals associated with U.S. government operations in Iraq stymies efforts to recruit, train, and retain a cadre of experienced Foreign Service national employees. As a result, the mission is – and will remain – highly dependent on off-site administrative assistance and support.

The usual models for supporting overseas missions do not apply to Embassy Baghdad. The Department of State must be innovative and employ maximum flexibility in developing new ways to support the mission's operations. The Ambassador has decided that, over the next few months, all personnel under Chief of Mission authority will enter Iraq through Amman, Jordan. The implications of this decision, such as increased demand for air transportation and additional staff, need to be addressed.

The Department has established Iraq Support Units (ISU) in Amman, Jordan; Kuwait City, Kuwait; and Washington, DC, to support logistics and travel requirements. Interaction between Embassy Baghdad and these off-site support units should be better coordinated. OIG recommends standard operating procedures and memoranda of understanding.

Newly hired employees at the Iraq Support Units need additional training. In addition, Embassy Baghdad should establish regular, systematic procedures for instructing and interacting with Iraq Support Unit staff in Amman.

Although there has been some discussion of moving parts of the Iraq Support Unit in Amman to such locations as Frankfurt, Germany, OIG recommends that ISU Amman offices remain intact and collocated within the Amman chancery compound. Any move to other locations would have to take into account Baghdad's need for exclusively dedicated services, 24-hour support, and Arabic-speaking employees.

The Department should develop uniform procedures for the issuance and use of personal protective equipment (PPE) for travelers to Baghdad. Current practices for issuing PPE vary depending on point of last departure before entry into Iraq.

There are no accurate and up-to-date lists of personnel authorized to use ISU Amman travel services. The Department of State should provide this information to ISU Amman.

In sum, OIG found that decisions on where to provide off-site support were not well coordinated and that the Department has not yet developed a fully coherent regional support model appropriate for Embassy Baghdad.

Office of International Broadcasting

Review of the Broadcasting Board of Governors' Progress in Linking its Budget Process and Strategic Planning (IBO-A-05-01)

The Office of Inspector General (OIG) initiated this review to assess how well the Broadcasting Board of Governors (BBG) has integrated its strategic planning and budgetary process. Two Government Accountability Office reports in the last three years have addressed BBG's strategic planning and performance measures. The first discussed BBG's efforts at creating a strategic plan, and the second looked at, among other things, whether or not the new strategic approach had measurable program objectives. OIG's review sought to supplement those reports and focused specifically on the extent to which BBG meets the requirements of the Government Performance and Results Act of 1993 and the President's Management Agenda in integrating its budget process with its strategic planning.

OIG found that BBG has made progress in developing its performance measures, the first steps in linking the strategic plan with the budget process. BBG was creating performance measures and strategic plans for its support divisions that complemented BBG's overall strategic plan.

OIG's discussions with the CFO, the budget director, and the strategic management director over more than a year showed that BBG had improved its linking of strategic planning and budgeting. The CFO was clearly focusing on the issue. BBG was making progress in using the Office of Management and Budget's program assessment rating tool in the budget process. A significant improvement in the process was the changed timing for BBG's annual language service review, when it sets programming priorities for the year. By holding the review earlier, results were available for the budget formulation later in the summer. There was also evidence that BBG was using strategic planning to drive its budget and improve the way it budgeted its capital planning. IBB's Office of Engineering and Technical Operations was seeking to match transmission strategies to BBG's strategic plan.

Recognizing BBG's steady progress, OIG had no formal recommendations and encouraged BBG to continue its work toward full compliance with legislation in this area.