



Highlights of [GAO-07-138](#), a report to the Chairman and Ranking Member, Committee on Foreign Affairs, and the Honorable F. James Sensenbrenner, Jr., House of Representatives.

Why GAO Did This Study

GAO was asked to review the Department of State Office of Inspector General (State IG) including its (1) organization, budget levels, and accomplishments; (2) audit and inspection coverage of the department; (3) role of inspections in the oversight of the department; (4) quality assurance process including assurance of independence; and (5) coordination of State IG investigations with the State Department's Bureau of Diplomatic Security. GAO obtained information from State IG reports, interviews, and documentation for a sample of inspections.

What GAO Recommends

GAO is making five recommendations for the State IG to (1) reassess the proper mix of audits and inspections to ensure appropriate oversight, (2) include reviews of information technology inspections in its internal quality review process, (3) develop a succession planning policy that specifies appropriate personnel to serve in an acting IG capacity, (4) provide staffing alternatives for identifying those who lead inspections, and (5) develop a formal agreement to coordinate internal department investigations with the Bureau of Diplomatic Security.

In comments on a draft of the report, the State IG agreed with two recommendations, partially agreed with one, and disagreed with two.

www.gao.gov/cgi-bin/getrpt?GAO-07-138.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Jeanette Franzel, (202) 512-9471, franzelj@gao.gov.

INSPECTORS GENERAL

Activities of the Department of State Office of Inspector General

What GAO Found

The State IG provides oversight of the State Department, the Broadcasting Board of Governors, and the foreign affairs community, including the approximately 260 bureaus and posts around the world, through financial and performance audits, inspections, and investigations. Over fiscal years 2001 through 2005, in terms of constant dollars, the State IG's budget has increased by 1 percent while the State Department's overall budget has increased by 50 percent. This represents a relative decrease when comparing State IG with other agencies' ratios of IG budget to total agency budget.

The State IG provides oversight coverage of the areas designated as high-risk by GAO and management challenges identified by the IG, with a heavy emphasis on inspections. The State IG covers the high-risk areas of human resources, counterterrorism, public diplomacy, and information security, almost exclusively through inspections. In fiscal year 2005, the State IG's ratio of inspections to audits was over two to one, while the federal statutory IGs had a combined ratio of one inspection to every ten audits.

There are fundamental differences between inspections and audits. By design, audits performed under *Government Auditing Standards* are subject to more in-depth requirements for the levels of evidence and the documentation supporting the findings than are inspections performed under inspection standards. Due to the significance of the high-risk areas covered largely by inspections, the State IG would benefit by reassessing the mix of audit and inspection coverage of those areas.

The State IG's audit and investigative functions both had recent peer reviews of quality assurance that resulted in "clean opinions." There is no requirement for a peer review of inspections; however, during our audit the State IG began an internal quality review process for inspections but did not include reviews of information technology inspections.

Independence is critical to the quality and credibility of all the work of the State IG. Two areas of continuing concern that we have with the independence of the State IG involve (1) the temporary appointment of State Department management personnel to head the State IG office in an acting IG capacity and who subsequently return to management positions, and (2) the rotation of Foreign Service staff to lead IG inspections, including many who, along with other IG staff, move to positions in department management offices. Such staffing arrangements represent potential impairments to independence and the appearance of independence under professional standards applicable to the IGs.

Both the State IG and the State Department's Bureau of Diplomatic Security pursue allegations of fraud by department employees. There is no functional written agreement in place to help ensure the independence of internal departmental investigations and preclude the duplication of efforts.