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United States Department of State
and the Broadcasting Board of Governors
Office of Inspector General

Report of Inspection

Bureau of Political-Military Affairs

Report Number ISP-I-05-03, March 2005

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TABLE OF CONTENTS

KEY JUDGMENTS	1
CONTEXT	3
BUREAU OVERVIEW.....	5
EXECUTIVE DIRECTION	7
Principal Deputy Assistant Secretary and Deputy Assistant Secretary for Security Operations.....	12
Office of Security Negotiations and Agreements.....	12
Office of International Security Operations.....	13
Office of the Political Advisor Coordinator	17
Office of Congressional and Public Affairs	21
Deputy Assistant Secretary for Regional Stability	22
Office of Plans, Policy and Analysis	22
Office of Regional Security and Arms Transfers	26
Office of Weapons Removal and Abatement.....	31
Deputy Assistant Secretary for Defense Trade and Directorate of Defense Trade Controls	36
Office of Defense Trade Controls Policy	41
Office of Defense Trade Controls Management	44
Office of Defense Trade Controls Licensing	45
Office of Defense Trade Controls Compliance	49
RESOURCE MANAGEMENT	55
Rightsizing.....	56
Executive Office Support.....	57
Human Resources Division	58
Budget and General Services Division	60
Resource Management Division	61
MANAGEMENT CONTROLS	65

INFORMATION TECHNOLOGY AND INFORMATION SECURITY	67
FORMAL RECOMMENDATIONS	77
INFORMAL RECOMMENDATIONS	81
PRINCIPAL OFFICERS	85
ABBREVIATIONS	87

KEY JUDGMENTS

- The Bureau of Political-Military Affairs (PM) rightly earns widespread praise in the Department of State (Department) and in the interagency community for its role in managing policy as the Department's primary interlocutor with the Department of Defense (Defense) and for administering U.S. defense trade.
- The bureau's key role in the global war on terrorism, and in the wars in Iraq and Afghanistan, have placed a heavy workload and resulting strain on much of the staff. The bureau has a well demonstrated need for a moderate number of additional personnel.
- PM's policy expertise and achievements are not mirrored on the management side. The bureau continues to suffer from management problems similar to those found in the last (1995) Office of Inspector General (OIG) inspection report. Although the bureau has made progress in strengthening its management, it nevertheless needs to make more progress in improving poor intra-bureau communication, low morale, and personnel problems. Bureau leadership has taken steps to address these problems, but is aware that there is more to do.
- The task force on the reorganization of the Arms Control and International Security (I) bureaus should look for possible additional areas where operational efficiencies that might be gained by moving or combining some bureau functions. These include the Consequence Management function in the Office of International Security Operations and some of the functions in the Offices of Weapons Removal and Abatement, which may have synergies with functions in other I bureaus.
- The realignment of the Directorate of Defense Trade Controls (DDTC) has resulted in better management of the 60,000 annual requests for licenses, enhanced responsiveness to industry, and a well-targeted increase in end-use monitoring. The managers of the defense trade function need to adhere to a "continuous improvement" philosophy of management. OIG counseled that the bureau should conduct a management review of the directorate to consider possible further gains in management efficiency and to assure that the office structure is in compliance with Department organizational guidelines laid out in the Foreign Affairs Manual.

CONTEXT

PM has existed since an administrative order established it in 1969, but the challenges the bureau faces have changed with the transformation of the larger world situation. With the end of the Cold War the dynamics of international relations changed. The role of the United States as the world's lone superpower and the threat of terrorism have brought new issues to the global agenda.

Even as the Cold War tended to impose its own system of order on the world, elements of instability and conflict threatened peace and stability in many areas. The collapse of communist regimes and Cold War's end released regional and local tensions to create an era of transition with new challenges. Large arsenals of weapons and delivery systems were no longer under the tight control of totalitarian states, and manufactured weapons became articles of commerce. The capability of producing weapons also remained. Various past conflicts left a grim legacy of landmines to threaten the lives and limbs of individuals in their daily pursuit of survival. Regional and local conflicts threatened to erupt in many parts of the world. A globalized economy that facilitated worldwide trade in goods and services meant that weapons, ammunition, and other articles of war could flow more freely as well. Most importantly, the global war on terrorism became the focus of U.S. foreign policy and affected almost every aspect of U.S. foreign policy. These and other important factors have determined the issues and challenges that PM faces in the early twenty-first century.

PM is one of four bureaus that report to the Under Secretary of State for Arms Control and International Security. The other three bureaus, the Bureau of Arms Control (AC), Nonproliferation (NP), and Verification and Compliance (VC), resulted from the abolition of the Arms Control and Disarmament Agency (ACDA) and the merger of its former functions into the Department. ACDA had the mission of researching, implementing, and monitoring the arms control agreements negotiated and concluded during the Cold War. In general, AC leads efforts to negotiate new arms control agreements and develops policy in the areas of conventional, chemical and biological, and nuclear weapons to support negotiations for arms control agreements, to implement existing agreements in those areas, and to support the Secretary of State on these issues. NP leads U.S. efforts to prevent the spread of weapons of mass destruction (nuclear, biological, and chemical) and

weapons delivery systems; to secure nuclear materials in the states of the former Soviet Union; to promote nuclear safety and the protection of nuclear materials worldwide; to promote responsibility and restraint in international transfers of arms and sensitive dual use technology; and to negotiate major nonproliferation agreements. VC provides oversight of policy on matters related to the verification and compliance with international arms control, nonproliferation, and disarmament agreements and commitments.

OIG inspected these three bureaus in the spring and summer of 2004, a period immediately before the inspection of PM. In the reports that resulted, OIG recommended that the Department establish a task force to craft the merger of the AC and NP bureaus, including redesigning their current structure and eliminating unnecessary overlapping of functions to ensure the development of a clear authoritative voice on nonproliferation and arms control policies. OIG also recommended that the Department's leadership explore restructuring VC to transform it from a bureau to a specialized entity so that it would focus more clearly on its central mandate. However, OIG refrained from making recommendations prescribing in detail what structural and organizational changes should take place because it believed that such a task force could consider these questions more effectively in the context of its deliberative processes. In response to the draft report from those inspections, the Secretary of State asked the Under Secretary for Management to establish a task force charged with evaluating the current organization of the bureaus reporting to the Under Secretary of State for Arms Control and International Security (the 'T' family bureaus) to make recommendations for necessary changes and prepare an implementation strategy for any structural changes ultimately to be approved by the Secretary of State. This task force held its first meeting on August 25, 2004. The inspection of PM was conducted with awareness that, although the task force's immediate focus was on the organization of AC, NP, and VC, changes in any of those bureaus could involve the structure and organization of PM as well.

BUREAU OVERVIEW

The Department established PM in 1969 to enhance the Department's role in the formulation of international security policy, to supervise security assistance and foreign military sales programs, and to direct the issuance of arms export licenses. It replaced a special component for "politico-military affairs" that had served under a Deputy Under Secretary of State since 1960. Originally led by a director, its leader became a presidential appointee whose nomination was subject to confirmation by the Senate in April 1986.

Today, PM remains the principal, though not exclusive, link between the Departments of State and Defense. PM provides policy direction in the areas of international security, security assistance, military operations, post-conflict stabilization, and defense trade. The bureau plays a key role in the global war on terrorism by securing base access and overflight permission for U.S. military forces, coordinating the participation of coalition combat and stabilization forces, and promoting protection of critical infrastructure. In order to promote regional stability, it fosters defense relationships with U.S. allies and friends; combats unlawful trafficking in small arms and light weapons; negotiates status of forces and base access agreements; and facilitates the education and training of international peacekeepers and other foreign military personnel. It also regulates arms transfers and promotes responsible trade in defense goods, services, and technologies. These functions include participating in decisions on international military education and training, foreign military sales, and foreign military financing. PM also has a key role in humanitarian assistance in its management of humanitarian mine action programs and programs to reduce the uncontrolled prevalence of small arms and light weapons that threaten to aid local conflicts. These weapons include man-portable air defense systems (MANPADS) that could become a major threat to civilian aviation. PM also works with Defense to provide assistance in response to natural disasters and other crises, and it is responsible for coordinating the U.S. government's response to chemical, biological, radiological, and natural disasters overseas.



The man-portable air defense system, shown, is one of the weapons PM Bureau helps to control

At the time of the inspection, PM had 184 Civil Service and Foreign Service (FS) positions supplemented by 79 positions involving other employment arrangements. In terms of numbers of employees, it is the largest bureau in the T family. In its Bureau Performance Plan (BPP) for FY 2006, the bureau has requested five positions in addition to the eight full-time equivalent (FTE) not approved for FY 2005. Almost half of this staff is employed in the Directorate of Defense Trade Controls, which is responsible for the issuance or denial of export licenses for the sale or transfer of weapons, ammunition, and other defense-related articles abroad.

OIG notes that, despite changes in the responsibilities of PM (especially those that occurred when ACDA was merged into the Department in 1999), the description of the bureau's responsibilities in the Foreign Affairs Manual has not been amended since 1995. The description currently in force includes responsibilities no longer within the bureau's purview, describes an internal structure that bears no resemblance to current realities, and is generally useless for any purpose except history. A proposed revision that reflects the current office structure has been prepared but remains pending, in part because changes may result from the report of the task force.

EXECUTIVE DIRECTION

The Assistant Secretary for PM and his team earn universal praise in the inter-agency community for the manner in which they acted as the Department's primary interlocutors with Defense and for administering U.S. defense trade. The bureau has been in the forefront of the global war on terrorism. It led, in the initial response to the September 11, 2001, attacks, the diplomatic efforts to garner international support and obtain base access and over-flight clearances. Its efforts were, and have remained, key in building and sustaining the coalitions for Operations Enduring Freedom and Iraqi Freedom and for other operations around the world.

PM's responsibilities for integrating diplomacy and military power to foster a secure international environment are many. The bureau has in recent years directed billions of dollars annually in security assistance to allies, promptly provided arms export licenses for material needed by coalition partners, negotiated Article 98¹ agreements to protect our military personnel, and undertaken with Defense a global defense posture review (GDPR). It has also successfully launched an initiative to acquire and destroy MANPADS, established a much utilized PMAT, instituted a new Strategic Mine Action Plan, deployed senior Department officers as political advisors to military commanders, and promoted critical infrastructure protection (CIP) with other nations. The list could go on. PM did all this with only modest increases in personnel resources - a credit to the hard-working and imaginative bureau leaders and staff. The Assistant Secretary serves as the President's and the Secretary's special representative for mine action, a role in which he has led efforts to expand public-private partnership efforts to more than 40 organizations and to develop policy on demining efforts.

The Assistant Secretary brings to the job immense experience in his field, having served in several positions in Defense, including as Principal Deputy Assistant Secretary of Defense for International Security Affairs. He has likewise served in the Department, including as Deputy Assistant Secretary for Near Eastern Affairs, and in the White House as Deputy Assistant to the Vice President. He knows government, he knows a wide array of relevant officials across government, and is also known for his easy accessibility.

¹ Bilateral non-surrender agreements protecting American citizens from jurisdiction of the International Criminal Court.

This success is manifest within the Department in the bureau's current prominence. PM is the only bureau that briefs the Deputy Secretary daily. It works extremely closely and effectively with the regional bureaus, an initiative spearheaded by the Assistant Secretary through daylong outreach meetings with each regional bureau shortly after he took office. Differences of opinion still emerge between PM and other bureaus, but all interlocutors know they can get a thorough hearing. Regional bureaus also appreciate the Assistant Secretary's energy and his willingness and ability to assist with or even handle difficult regional issues. He has been instrumental in convincing Kuwait to continue supplies of oil to U.S. forces. He has worked in difficult Article 98 negotiations, and he has made difficult trips to several countries in successful efforts to acquire and destroy MANPADS. His experience and efforts have also helped forge relationships, and sometimes even an easy familiarity, with ranking regional leaders and officials. These relationships have been valuable and appreciated by the regional bureaus with whom he carefully coordinates.

The Assistant Secretary reports to the Under Secretary for T, and the relationship between PM and T works well on all levels. Both have kept each other well informed, and an Under Secretary's staff assistant attends PM deputy assistant secretary (DAS) directorate meetings. The Under Secretary's office appreciates PM's energy and reliability.

PM's DASes provide a strong policy team. The principal DAS (PDAS) has earned a reputation as a responsive and savvy policy manager. She co-chairs the interagency coalition working group with the NSC and organizes the twice weekly meetings. The interagency community appreciates her thorough preparations. Agendas are well worked and distributed in advance, maximizing the value of the meeting time. PM has been key in assuring coalition partners, from those in Iraq to those in Haiti and the Sudan, that they will get what they need. (The Assistant Secretary is also heavily engaged, having taken the initiative to hold regularly scheduled briefings for representatives of coalition partners' embassies.)

The PDAS also reaches out to the regional bureaus. She understands their issues and works closely with them. This allows her to represent the Department effectively in interagency meetings on a wide variety of issues from the coalition to the Global Defense Posture Review. Her careful feedback and coordination with the bureaus has been fruitful and has helped earn the Department a reputation in the interagency community for responsiveness.

The DAS for Defense Trade preceded the current PDAS in the job and likewise earned praise in the OIG survey for his unstinting work and effectiveness for two years in helping manage PM's key role in the response to the September 11, 2001, attacks. Probably the Department's most experienced political-military officer, he has now taken over responsibility for increasing the effectiveness of defense trade control processes and is meeting with success.

The DAS for Regional Stability also earns high marks in the interagency community for her policy knowledge and skills and for her commitment. She is widely credited with bringing security assistance into better sync with Defense. She travels often with the Deputy Secretary and Defense officials, often assisting with the Global Defense Posture Review. Her willingness to engage with foreign publics and media has been particularly effective in clarifying U.S. GDPR plans and positions. She also takes the bureau lead on staff-level Congressional briefings, usually visiting the Hill several times a month.

The bureau has done well on outreach. The Assistant Secretary is an accomplished and enthusiastic public speaker who is energized by his interaction with an audience. His speeches, domestically and internationally, are frequent, well targeted, and well crafted. The DASes likewise speak regularly and receive regular press attention, which they all handle well. All are also seasoned in handling Congressional appearances and relations.

The Assistant Secretary showed exceptional leadership, initiative, and extraordinary personal persistence in ensuring the Department's implementation of important legislative requirements that blocked military assistance to military units that abused human rights. His efforts are widely acknowledged to have resulted in the creation of a database that will facilitate the recording, exchange, and use of data on human rights abuses by military units so that the Department can implement the legislative requirements more effectively and efficiently.

The Assistant Secretary, PDAS, and other managers have tried to address some of the bureau's long-standing management problems mentioned in OIG's 1995 inspection report, but many of the problems remain. Poor intra-bureau communication, low morale, questionable organization, and personnel problems continue to plague the bureau. The bureau has wisely brought on board, a part-time, highly skilled management consultant who knows the nuts and bolts of Department management. This is helping, but it is time for an even more systematic effort from the front office.

The most common concern to emerge from the inspection was poor intra-bureau communications, despite flurries of e-mails and regularly scheduled staff meetings in most parts of the bureau. Several possible reasons emerged. Employees admired the work done by the Assistant Secretary and DASes but felt distant as a group from a real understanding of overall activities and policy. They complained of a lack of positive feedback and also of feedback in general. Employees felt that the staff assistants' office was too often uninformed and unable to track document flow or the whereabouts of principals. In fact, staff assistants are located in a different corridor from the front office, and they reported infrequent interaction with principals.

Much of the problem with the staff assistants' office appears structural. Staff assistants currently work for the PM chief of staff, a consultant whose primary responsibility is to support the Assistant Secretary. All documents go from the staff assistants to the chief of staff, who is located in the front office. He delivers them directly to the principals without involving the office management specialists. When he is engaged with the Assistant Secretary, neither the staff assistants nor the office management specialists in the front office can track documents. The situation was further complicated by the lack of a clear supervisory chain or structure within the staff assistants' office and by the practice of some principals of sometimes working directly with action officers and leaving staff assistants and office directors uninformed. Finally, staff assistants in recent years have varied in experience and aptitude.

PM has firmly addressed the problem. It has created a second FS staff assistant position and will locate one of the FS officers in the front office to manage paper flow. Document status will be tracked on a computer program, facilitating access to the information. The ranking FS officer will be designated as office supervisor. Staff assistants will be carefully vetted for aptitude and ability prior to assignment. All bureau employees will be informed of procedures and urged to exercise discipline. The situation has already improved, in large part due to the assignment of a new FS staff assistant.

Interestingly, the problems with the staff assistants' structure have been internal to PM and have not been apparent to other parts of the Department. The staff assistants' office currently enjoys a reputation with other bureaus and seventh floor principals for responsiveness and for producing timely documents of high quality - reportedly some of the best in the building.

A senior adviser to the PM assistant secretary leads SNA. The PM PDAS supervises the office and meets with the special advisor regularly. The DAS for Regional Stability provides policy guidance on the Global Defense Policy Review. Owing to the importance that the Administration attaches to Article 98 agreements, the Under Secretary for Arms Control and International Security has taken an active role in directing their negotiation. SNA works closely with the Under Secretary and his staff on those agreements. This pattern of oversight and activity places a premium on SNA's frequent communication and skillful coordination with the senior negotiators, as well as with Defense and the Office of the Legal Adviser.

This thinly staffed office is appropriately organized to carry out its duties. Communication and morale in the office are good. The senior adviser is confident that he and his staff can perform their work well with the help of task teams constituted from staff in regional bureaus, the Office of the Legal Adviser, and Defense. The senior adviser has begun the renegotiation of the Special Measures Agreement with Korea, which expires at the end of December 2004, and he will lead the renegotiation of the agreement with Japan that expires early in 2006. The office is pressing forward with the negotiation of additional Article 98 agreements, and other senior Department officials also have participated in these negotiations. (Ninety-six have been concluded.) The office is preparing for the negotiation of agreements arising from the GDPR and, in this connection, is beginning to develop the teams augmenting SNA's own resources. However, unexpectedly heavy new negotiating requirements from the GDPR could tax the office's staff. OIG informally recommended that PM's leadership monitor SNA's negotiating workload and supplement its staff if necessary.

OFFICE OF INTERNATIONAL SECURITY OPERATIONS

PM's Office of International Security Operations (ISO) is a well-managed and adequately staffed office with diverse responsibilities. The office is evolving to meet new conditions and demands. Its PMAT is highly valued throughout the Department for its reports on Afghanistan, Iraq, and other trouble spots, and for its after-hours coordination with Defense. The broad but poorly defined mandate of ISO's foreign consequence management team leaves unsettled the appropriate duties, size, and funding of the team.

ISO carries out several distinct sets of functions. It is, first of all, the Department's primary portal to Defense for the coordination and clearance of operational military matters. Among these matters are military deployment and

operations orders for U.S. and allied forces, maritime interception operations, freedom of navigation exercises, certain humanitarian operations, certain training and exercise programs with foreign forces, noncombatant evacuation operations, and sensitive reconnaissance operations.

ISO also represents the United States in discussions with the United Kingdom on matters associated with the U.S. presence in the British Overseas Territories, including Diego Garcia and Ascension Island. The office provides clearances for foreign naval vessels entering U.S. seaports and for about 5,000 foreign governmental aircraft entering U.S. airspace each year. An increasingly important element of the office's work is the coordination of the Department's participation in U.S. military prioritizing and war-gaming exercises aimed at the development of future command, control, and coordination systems that will accommodate the Department's interests.

A U.S. Air Force colonel, who has now been selected for promotion to brigadier general, assumed leadership of ISO in August 2004. The assignment of a flag-rank officer to the position correctly reflects the increased importance Defense attaches to coordination with the Department on operational matters and to the Department-Defense personnel exchange program. The office's deputy director and eight other people, including three Defense officers serving under the Department-Defense exchange agreement, and five Civil Service employees, carry out the work described above.

The director of ISO serves concurrently as the senior Defense officer in the Department and in that position manages the Defense side of the Department-Defense officer exchange program. He is responsible for providing personnel support for 50 Defense officers working in the Department under the program. An Air Force lieutenant colonel in ISO assists him in this work. Seeking to learn how assignments can best meet the needs of the Department's offices, the director has begun to approach the offices in which the Defense officers work. He also wants to enhance the value of the program to the officers on exchange and, through the experience of the returning officers, the usefulness of the program to both the Department and Defense.

A very important and successful element of ISO is the PMAT, which has won the praise of the Deputy Secretary and other officials in the Department. The PMAT is staffed with highly motivated retired FS officers working on a when-actually-employed (WAE) basis and retired military officers working on contracts. At all times, at least one retired FS officer and one retired military officer are on

duty in the PMAT to bring broad and deep foreign affairs and military expertise to its work. A retired FS officer, the PMAT's coordinator, manages the PMAT's \$2.1 million annual budget carefully and has built up the staff of part-time retirees to accommodate surges of work in response to crises. (See box on PMAT)

A Success Story: The Political-Military Action Team

The PMAT grew out of the PM cell in the task force the Department established on September 11, 2001. When the Department dissolved the task force in October 2001, the PMAT continued to work around the clock, seven days a week, to support Operation Enduring Freedom. The PMAT's work has evolved since then to serve as an essential link to Defense and its commands, especially after normal working hours, on urgent, operational matters. It also prepares highly regarded, concise, but thorough overnight reports on developments in Iraq, Afghanistan, and crisis spots such as Haiti and Sudan for the Deputy Secretary and other senior officials in the Department and elsewhere in the U.S. government. It is available to provide updated information at any time. The PMAT logs and oversees the clearance of draft deployment and execution orders that Defense sends the Department for comment and clearance. The PMAT takes over the work on urgent clearances and other matters from ISO staff members when they leave for the day. The PM front office and other offices in PM direct telephone calls to the PMAT after hours.

OIG found that the PMAT is a valuable source of information on pressing military matters. Equally important, it is a useful locus of coordination with Defense and its commands on those activities. The PMAT's value derives to a great extent from the many years of experience that the retired FS and military officers bring to their work and from its 24-hour-a-day operation. As the PMAT grew out of a temporary task force, and as its reporting and coordinating roles developed over time without careful review, PM has not formally considered PMAT's present and future roles and institutionalizing it further as a permanent element of the bureau.

The director of ISO and the PMAT's coordinator are working closely together to review the evolving pattern of coordination between the Department and Defense on exercises and military operations and the PMAT's work and staffing with the possibility of recommending institutionalization of the team as a permanent part of PM.

Recommendation 1: The Bureau of Political-Military Affairs, building on the work that has been done in the Office of International Security Operations, should establish a committee to examine the further institutionalization of the Political-Military Action Team. (Action: PM)

The Foreign Consequence Management Team of ISO was established in 1997 and since then has grown in response to five national security directives on terrorism and weapons of mass destruction. National Security Policy Directive-33 of 2004 on a National Policy on Bio-defense summarizes the Department's mandate: "The Secretary of State is the principal Federal officer responsible for international terrorist incidents that take place outside U.S. territory, including U.S. support for foreign consequence management, and shall coordinate as appropriate with heads of other Federal departments and agencies, to effectively accomplish this mission." In execution of this mandate, the Foreign Consequence Management Team works with the Coordinator for Counterterrorism, other U.S. agencies, and foreign governments to plan for rapid responses to mitigate the human effects of a chemical, biological, radiological, or nuclear incident overseas. It has an annual budget of \$1.3 million and a staff of four Civil Service employees and, ordinarily, five contract employees.

The broad mandate of foreign consequence management is not defined precisely in the national security directives. Policy-level officials in the Department have not reviewed the mandate to reach considered decisions on the proper scope of the work on foreign consequence management and the appropriate level of funding for it. As a result, there is a lack of clarity about the team's proper missions. The Foreign Consequence Management Team's leader, a GS-15, has managed his dedicated and enthusiastic staff well and has developed and exercised a consequence management capability with a great deal of independence but has had little detailed guidance in recent years from policy-level officials in PM. The work on foreign consequence management, perhaps because the work involves more extensive cooperation with civilian agencies in the United States and other governments than with the U.S. military, is distinct from PM's other responsibilities.

Recommendation 2: The Department should direct the task force reviewing the Office of the Under Secretary for Arms Control and International Security's Organization to examine the Department's mandate for foreign consequence management and determine the appropriate scope of work of the foreign consequence management team and the most appropriate placement of the team within the Department. (Action: M/P, in coordination with PM, S/CT)

The recently arrived director and deputy director of ISO very quickly identified and began to address the questions facing the office, including the more efficient deployment of staff, the institutionalization of the PMAT, the supervision of the Foreign Consequence Management Team, and the improvement of the Defense officers exchange program. Under current leadership ISO is managed well. Communication and morale within the office, including with the PMAT and the head of the Foreign Consequence Management Team, is now very good.

OFFICE OF THE POLITICAL ADVISOR COORDINATOR

POLADs and other Department detailees to Defense add value to Department-Defense efforts to coordinate policy. They make a significant contribution to coordination of military operations as well. Military commanders benefit from expert in-house policy guidance, and detailees return to the Department with broadened experience and contacts, particularly in an era when fewer officers come to the Foreign Service with prior military experience.

Although the Office of the POLAD Coordinator (PM/POLAD) at one time was part of the Office of Regional Security and Arms Transfer (RSAT), it is now, appropriately, a stand-alone office reporting directly to the front office. It requires support from a FS officer DAS in recruiting appropriate senior FS officers and supporting them during their tenure as POLADs. PM recognizes the importance of this function and has been manning the office with WAEs out of its general budget, while asking for one FTE for a director position through several budget cycles. OIG believes that high priority should be given to establishing and filling this position and made recommendations on these issues.

The program for providing POLADs to military commanders was established after the Bay of Pigs operation in Cuba in 1961. It became evident to the White House that one of the reasons for the operation's failure was the lack of coordination and communication between Defense and the Department. This led to the establishment of the program that, today, as PM/POLAD, recruits and supports senior Department officers to provide expert policy advice.

POLADs now provide this advice to nine combatant commanders, four service chiefs, two North Atlantic Treaty Organization (NATO) commanders, and operational commanders in Afghanistan, Bosnia, and the Horn of Africa. Eight incumbents are former ambassadors; most are senior FS officers. The office also supports

nine FS-01 officers detailed to the Office of the Secretary of Defense and the Joint Chiefs of Staff under the State-Defense Exchange Program, who fulfill a similar function.

With the new, complex contingencies of the post Cold War and post September 11, 2001, era, Defense interest in the program increased, inspiring a doubling of the number of positions the office supports. An increasing number of military commanders have been asking for a POLAD, and Defense has asked for more new slots that the Department can fill. The office has been successful in finding some WAEs to fill slots. Interviewees traced recruiting problems to a seeming absence of promotion or performance pay and difficulties in obtaining onward assignments inherent in serving in these positions despite the often intense, important, and high-level nature of POLAD work. The latter may be somewhat diluted by the praiseworthy efforts of the PDAS to assist POLADs with onward assignments.

PM/POLAD, at the time of the inspection, was adding a third program, to include seven new Department detailees for joint interagency coordinating groups. This is a new Defense effort in the global war on terrorism, an initiative begun by the Joint Forces Command in Norfolk, to support regional combatant commanders with an interagency group focusing on counterterrorism. Because the Department was unable to fund additional positions, Defense has agreed to do so. The POLAD office is now negotiating and preparing memorandums of understanding for the transfer of funds and making preparations to recruit and support an additional seven FS-01 officers for these billets.

At present, the office reports directly to the PDAS, who is considering lessening her very heavy workload by moving supervisory responsibilities to the director of ISO, a one-star general. OIG finds, however, that the present arrangement is more appropriate. Maintaining this function in an independent office supervised by a FS DAS has important advantages. Senior FS officer support can bolster the recruiting process, can help in assisting POLADs with onward assignments, can provide high-level speakers for the annual POLAD conference, and can aid in coordinating acceptance of nominees with four-star generals. Although PM/POLAD could continue to recruit and support the State-Defense Exchange Program and joint interagency coordinating group positions appropriately in a lesser setting under an office less familiar with FS operations, it would lose its effectiveness in finding and attracting senior officers. This loss would undermine a program of great value to the Department.

Recommendation 3: The Bureau of Political-Military Affairs should confirm that the Office of the Political Advisor's Coordinator will continue to report directly to a Foreign Service officer Deputy Assistant Secretary. (Action: PM)

At the time of the inspection, the POLAD office was understaffed. The office director position became vacant in September. Two full-time WAEs on contract now staff the office. These officers provide valuable continuity, but are hard-pressed to keep up with the growing number of positions they support. Their duties include keeping POLADs aware of PM priorities, developing an effective network for recruiting POLADs, maintaining files on positions and vacancies, coordinating recruitment with PM's Office of the Executive Director and the Bureau of Human Resources, maintaining detailee rosters and e-mail collectives, assisting with employee evaluation reports, organizing an annual POLAD conference, and providing a home office and Washington-based support for visiting POLADs. The present level of staffing and support puts fulfilling the office's important mission at risk. Filling a director position with an active duty senior FS officer or, in the interim, another WAE, should remain a high priority, not only to lessen the workload of the PDAS, but also to support this important program.

Recommendation 4: The Bureau of Political-Military Affairs, in coordination with the Bureau of Human Resources, should establish a position for a senior Foreign Service officer as the political advisor coordinator and director of the bureau's political advisor office. (Action: PM, in coordination with M/DGHR)

The office has made notable outreach efforts as well. It organizes visits at the Department for the various war colleges and other military training schools, and for the Marshall Center in Garmisch, Germany. It also provides, on occasion, speakers for military programs and identifies Department officers to participate in military exercises.

Three PM offices at present organize Department briefings for military visitors: ISO, Office of Congressional and Public Affairs (CPA), and PM/POLAD. At present staffing levels, PM/POLAD needs to concentrate on its priority missions. In the short run, the office could obtain some relief by turning over responsibility for organizing briefings for military visitors to ISO and CPA. OIG made an informal recommendation along these lines.

POLADs praised PM/POLAD support, including innovative efforts to improve their access from the field to Department communications and information systems. Lack of connectivity, however, to relevant Department information, for instance, cable traffic, Intranet, and e-mail, make it considerably more difficult for POLADs and other detailees to meet their requirements in a timely fashion and to perform optimally. OIG believes that, as new information technology solutions are being found to improve intragovernmental communications, POLAD needs should be identified to the Bureau of Information Resource Management to make solutions for POLADs a priority. This should increase their efficiency and effectiveness in carrying out their central mission: improving communication and coordination between the Department and Defense.

Recommendation 5: The Bureau of Political-Military Affairs, in coordination with the Bureau of Verification and Compliance, should identify the Office of the Political Advisor Coordinator's electronic connectivity requirements to the Bureau of Information Resource Management for access to Department information systems. (Action: PM, in coordination with VC and IRM)

Other problems will continue to merit front office attention. Despite an increase in the commanders' interest, the success of the POLAD program remains in the strength of the personal contact between the POLAD and the commander and in the ability of the two to recognize how to get full value from the expertise of very senior Department officers.

OIG believes that a day or two of Department training prior to their departure would assist POLADs in getting off to a good start. The POLAD conference, which features prominent speakers, is now a two-day event that coincides with the annual return of commanders for a Defense conference. It provides POLADs with an important update on current issues from a Washington perspective. It misses, however, an ideal opportunity for POLADs to share lessons learned, and to give new POLADs some training in defining their missions and identifying the resources available to them. OIG informally recommended that PM/POLAD add a training segment to the annual POLAD conference. OIG also believes that participation in the Capstone training course for flag-rank military officers would also boost their ability to perform optimally as POLADs. OIG informally recommended that PM/POLAD, with support from the PM PDAS, seek Defense approval to include new POLADs in the Capstone training course during their first year as POLADs.

OIG found that not all interviewed officers were being used to their full capacity as senior officers, and there are difficulties in filling all the POLAD positions. Indications that “having a POLAD” may be becoming a status symbol in some quarters merit PM vigilance. OIG informally recommended that PM/POLAD, in coordination with the PDAS, conduct a survey of POLADs, to understand more completely how appropriately POLADs are being placed and used.

OFFICE OF CONGRESSIONAL AND PUBLIC AFFAIRS

CPA is a small office that efficiently manages an array of useful programs in its areas of responsibility. Congressional liaison is a particularly important function in a bureau whose senior representatives are often called to the Hill to testify on the foreign policy underpinnings of U.S. military deployments. On balance, PM appears to enjoy good relations with Congress, for which PM/CPA deserves a share of the credit. CPA also has an active public affairs program. This emphasis reflects in part the importance the Assistant Secretary attributes to this activity and the readiness with which he and other members of the PM front office regularly undertake public affairs outreach, including frequent media interviews.

The Department is also required by law to notify Congress about suggested changes to the United States Munitions List, proposed foreign military sales, over 100 commercial sales annually whose value exceeds a certain amount, and other major political-military initiatives, a responsibility PM manages. The slowness of the congressional notification process for commercial sales is a continuing concern to the bureau and the U.S. business community. In coordination with PM/CPA, the Bureau of Legislative Affairs recently developed a database to track the progress of Congressional notifications. PM hopes that the database, which Congressional staff members are able to consult, will help reduce unusual delays by ensuring that everyone involved at every stage of the lengthy process knows who is responsible for taking the next step.

PM/CPA has developed an excellent set of standard operating procedures to guide its work both in public affairs and Congressional relations. The office’s most important regular outreach effort is monthly orientation programs for visiting military groups. U.S. and foreign military delegations receive briefings on Department policies and activities, including the programs and responsibilities of PM.

DEPUTY ASSISTANT SECRETARY FOR REGIONAL STABILITY

Three offices report to the Deputy Assistant Secretary for Regional Stability. These offices are the Office of Plans, Policy and Analysis, the Office of Regional Stability and Arms Transfers, and the Office of Weapons Removal and Abatement.

OFFICE OF PLANS, POLICY AND ANALYSIS

Since September 11, 2001, the work of PM has returned to the forefront of foreign policy by supporting two wars, several high-profile initiatives, and a series of regional crises. The Office of Plans, Policy and Analysis (PPA) has seen a substantial increase in workload as a result. Despite the diversity of the tasks and the breadth of issues now charged to PPA, the office is a model of good management. OIG nevertheless concluded that organizational clarity and efficiency could be improved. A discussion and recommendations follow.

In order to manage its responsibilities effectively, PPA is organized into three teams, the Political-Military Policy and Planning Team, the International Critical Infrastructure Protection Team, and the Security Assistance Team. The Policy and Planning Team focuses on strategic, global, and defense planning; works with other agencies to coordinate peacekeeping (non-UN) policy; and is the bureau's lead in a security and regional stability policy group for the Department-U.S. Agency for International Development Joint Policy Council. It also prepares PM's BPP. Of particular significance are PPA's recent successes in implementing the President's Global Peacekeeping Operations Initiative. PPA was the driving force in successfully selling the Global Peacekeeping Operations Initiative as a G-8 Sea Island Summit deliverable. PPA also organized and co-hosted the first G-8 Clearinghouse Meeting on Enhancing African Peace Support Operations Capabilities, which included participants from all G-8 countries, the African Union, the Economic Community of West African States, the European Union, the United Nations, and NATO. The Policy and Planning Team also played a key role in the development of a National Security Policy Directive on Space Policy by working to protect the Secretary's prerogatives regarding the potential impact of space issues on U.S. foreign policy.

PPA also includes the international CIP team. The team leads an interagency working group that seeks to develop and implement CIP outreach strategies and policy, to encourage nations to take systematic domestic and international steps to

enhance their cyber security and physical critical infrastructure security. They have hosted many conferences that have assisted other nations in establishing architectures for real-time cyber security incident information sharing.

The Security Assistance Team is responsible for developing military assistance policy and managing security assistance funding for three programs - Foreign Military Financing, International Military Education and Training, and Peacekeeping Operations. The team develops budget requests, provides notifications to Congress, distributes funds in cooperation with the Defense Security Cooperation Agency, and provides program oversight. In the past year, the Security Assistance Team has reaffirmed its position as the interagency policy lead in requesting, justifying, and allocating over \$5 billion in security assistance funds. The team successfully hosted its annual interagency roundtables for formulating the FY 2006 security assistance budget, participated and spoke at various Defense combatant command conferences, and provided policy recommendations to senior Department principals on all security assistance funding issues. In FY 2005, over 90 percent of the Department's discretionary military assistance funds have been allocated to key partners in Iraq and Afghanistan and to other front-line states. This assistance has been vital to coalition development and to enhancing other nations' capabilities to participate in the global war on terrorism.

Like RSAT, PPA is a policy office that also administers programs. While the focus of PPA is on global policy, that of RSAT is on regional policy. PPA was the one new office created in PM when ACDA was integrated into the Department in 1999. Its mission at that time was defined as covering global policy, and it was seen as the office that would provide surge capacity for unforeseen crises. Beginning with this division of policy responsibilities, a series of reorganizations affecting these offices appears to have been inspired primarily by personnel and personalty concerns. These have had some harmful effects on organizational clarity and operational effectiveness.

Because it has had exemplary management, PPA has weathered the storm of rising workload better than RSAT. However, it has a broad variety of responsibilities with few interrelationships, and some of its responsibilities are substantially similar to those of RSAT. Today, PPA's security assistance team is separated from the regional security officers in RSAT whose responsibility it is to provide policy guidance on the appropriateness of proposed security assistance candidates. PPA officers oversee the process of allocating and budgeting for over \$5 billion in U.S. security assistance programs - foreign military financing, international military education and training, and peacekeeping operations, programs that have a prima-

rily regional focus and value. Responsibility for the GDPR, on the other hand, was assigned to RSAT. Interlocutors outside PM interviewed during the survey phase of the inspection reported confusion as to which office to contact on a given issue. Officers in the two offices reported that they spent substantial amounts of time, particularly on new, emerging issues, coordinating - and often negotiating - who would take action on particular aspects. In the press of heavy workload, security assistance experts in PPA at times fail to clear with regional security experts in RSAT, and this omission leaves room for policy inconsistencies.

Both PPA and RSAT are understaffed in some areas, RSAT critically so. The resulting burnout and morale problems, some of which affect both offices, are described in the discussion of the RSAT office. OIG found that, while the security assistance team appears understaffed, some of the officers on the planning team are not fully occupied.

Throughout a series of reorganizations, various combinations have been tried throughout the directorate. Each has had pros and cons. One of the resulting problems is the lack of interrelationships among many of the tasks and breadth of issues now charged to PPA. The disparity of discrete functions makes it difficult for managers under present circumstances to shift workload between teams. Divorcing the funded programs from the policy guidance provided by regional security officers in RSAT led to problems described above. OIG believes that it makes sense to continue combining programs with these policy offices. Even during a period of higher interest in PM, the programs help a functional bureau like PM maintain strong relationships with the regional bureaus, encouraging greater consultation and coordination. The latter is weakened, however, by confusion as to which of two policy offices has the lead.

Another reorganization, particularly in a time of major workload, would have a temporary negative impact. According to one view, a possible option would be to combine the two offices. This might allow for a regional security team, a program management team, and a policy-planning team. Experts on noticeable issues might be able to move between the regional security team and the policy team to provide surge capacity, greater flexibility in meeting emerging crises or issues, and greater flexibility for managers to shift workloads. A depth of cross-trained policy officers that could support other offices might become possible in a combined office.

The arms transfer officers in RSAT need to work closely both with regional security officers and with defense trade policy experts in DDTC. There could be advantages and disadvantages for their work in joining a new, combined PPA/RSAT or in moving to DDTC as a stand-alone office under the Defense

Trade DAS. The CIP unit has some responsibilities similar to those of a better-funded Bureau of Economic and Business Affairs office and also has some similarities of function with the consequence management group in ISO.

OIG finds that further study of optimal arrangements is required to achieve a better division of workload; to increase efficiency by reducing confusion between the two offices; to eliminate the potential for policy inconsistencies; and to increase cross training both as a means to afford more surge capacity and give managers flexibility in shifting workload.

Recommendation 6: The Bureau of Political-Military Affairs should conduct a review of the responsibilities assigned to its Office of Policy, Plans, and Analysis and its Office of Regional Security and Arms Transfers in order to determine whether responsibilities should be reallocated between the two offices or into other organizational arrangements. (Action: PM)

Under the leadership of the Assistant Secretary, PPA has been instrumental in implementing the Leahy Amendments. These amendments to the annual foreign operations appropriations acts provide that none of the funds appropriated under the acts, which include foreign military financing, international military education and training, and peacekeeping operations, may be provided to any unit of a foreign country's security forces if the Secretary of State has credible evidence that such unit has committed gross violations of human rights. In early 2003, the Assistant Secretary organized a meeting that hammered out a telegram sent to all diplomatic and consular posts to strengthen implementation of these amendments. The telegram required posts to report to the Department any information that could reasonably be deemed to be credible information of a gross violation of human rights by host nation security forces that receives training funded by the act. By late 2004, the Department had created the Abuse Case Evaluation System to facilitate analysis of the data's validity, and it was expected that the database would be online and available to posts in early 2005. Because of the Assistant Secretary's leadership and PPA's hard work and support, the Department will have an efficient, systematic process for implementing the amendments, a signal achievement.

The CIP unit covers an area that could grow rapidly. It lacks adequate funding to carry out its mission: increasing international cooperation and awareness of the importance of cyber security and critical infrastructure protection. For example, although it is charged by a Homeland Security Presidential Directive (HSPD 7) with CIP coordination internationally, its lack of travel money to attend many international meetings and conferences on cyber security and critical infrastructure

protection is causing it to lose influence. Better-funded offices and agencies are sending representatives, making important contacts, and representing the U.S. government in an area where the Department has the co-lead, without the benefit of Department or CIP input. OIG informally recommended that PM assess the possibilities for increased travel funding for CIP.

Despite funding problems, the CIP team is making important strides in sharing information and in advancing international cooperation to prepare countries around the globe to defend themselves against the possibility of a cyber attack. The office has recently lost, however, a contractor with the requisite technical expertise to provide critical surge capacity and assistance to friendly countries in the event of an actual attack, because he was offered a higher salary elsewhere. Continued ability to proffer such assistance will be important to support this important program and foster international cooperation. OIG concluded that this important function needed to be maintained by identifying another candidate or candidates and funding another contract.

Recommendation 7: The Bureau of Political-Military Affairs should identify and reestablish a contractual relationship with an individual or individuals with requisite technical expertise to provide surge capacity for critical infrastructure protection in the event of a crisis or emergency. (Action: PM)

OFFICE OF REGIONAL SECURITY AND ARMS TRANSFERS

The increased U.S. government focus on a vigorous defense policy in the past three years and the concomitant increase in political-military activity caused the workload in RSAT to explode. This will continue for the foreseeable future and requires some shifting of gears. Since September 11, 2001, RSAT has been operating in a nonstop crisis response mode — a stride it could perhaps keep up for a year, but not for three or more. The effort to sustain this unremitting pace has impaired morale and retention. Bureau leaders, however, believe that morale in this office is improving. OIG found numerous detrimental effects on the office's efficiency, effectiveness, and general performance and made recommendations to address these problems.

RSAT deals with high-profile security policy issues in the interface between the Department, Defense, and the armed forces. The office has two core missions. Regional security officers provide security policy advice and guidance. They also analyze the political-military implications of U.S. foreign and defense policy decisions on issues such as force levels, overseas presence and deployment, provisions for access and basing, command arrangements, arms transfers and security assistance, regional arms control proposals, and regional military procurement and force planning. In support of this mission, they coordinate annual bilateral political-military consultations with security partners and participate in similar Defense-led efforts. The office is staffed by a mix of Civil Service, FS, and military officers.

The regional security officers serve as desk officers for the PM front office, and in this role they prepare briefing papers, press guidance, congressional testimony, and policy recommendations. They secure PM clearances on policy papers from other offices, bureaus, and government agencies. Arms transfer officers serve as the clearinghouse for all military arms sales, leases, retransfers, and disposition of excess defense articles to foreign governments. Arms transfer officers also clear on licenses for the import of foreign weapons issued by the Bureau of Alcohol, Tobacco, Firearms, and Explosives and sit on the interagency committee determining national disclosure policy on releasing classified information on military armaments.

Since September 11, 2001, regional security officers have been dealing with the political aspects of the two wars in Afghanistan and Iraq, from crisis response to force generation to coalition management. They are tasked as well with two high-priority initiatives, Iraq and Afghanistan coalition management and the GDPR. At the time of the inspection, they were also working with the Office of the Secretary of Defense, the Joint Chiefs of Staff, combatant commanders, U.S. Agency for International Development, public diplomacy, and regional bureaus on crises in Darfur, Liberia, and Haiti. Defense interlocutors praised the quality of their product and marveled at the relatively rare lapses in timeliness. They attributed these lapses to the fact that often one officer was handling more than one crisis at a time. This high level of performance has been at great cost to the mission and to officers personally. That so few officers have so many critical issues on their plates also has a negative impact on a core mission: providing timely advice and clearances to their colleagues handling arms transfers.

RSAT's major problem is understaffing. OIG estimated that the office has generally had 25 to 30 percent of its allotted positions unfilled for the past two and a half years. Burnout and past poor management have been major causes for

departures in the past two years. Many cite the lack of relief from a crushing workload, a universe of urgent taskings, a perceived lack of front office concern for employee well being, and a lack of appreciation for their effort and product. PM, however, has made some progress in addressing this problem. RSAT has now added five staff members who have begun to alleviate these problems. Two additional officers are expected in the next few months. Two officers have been added to the arms transfer function. The bureau has also requested an additional regional security officer through the BPP process.

The fact that two of the three critical RSAT management positions have been vacant for long periods has made things worse. Remaining managers are stretched too thin, because they are often also filling in for gaps at lower supervisory levels. The front office has failed to empower and adequately support the acting office director. She has struggled valiantly but is often filling three management jobs at once and cannot pay sufficient attention to any. She needs the support of a full-time regional security deputy. OIG informally recommended that PM find a way to correct this problem; for example, PM could hire a WAE to fill one other vacant management position in the interim so that all management positions in the office will be filled until permanent replacements have arrived. OIG also informally recommended that PM leadership give priority attention to helping turn around the vicious cycle of unfilled positions and restoring the office to a semblance of normalcy. OIG believes that the PM front office can help by allowing the acting director a freer hand in management decisions within her own office. It can also address a breakdown in front office staffing and the increase in clearance requirements, requests for briefing papers, and short suspense times, all of which contribute unnecessarily to increased workload. A major effort by the regional security DAS to set aside adequate time for prompt turnaround of clearance requests will be key to this effort.

OIG found that PM leaders, together with the executive office (EX), have sought creative solutions to fill gaps with presidential management fellows and career entry candidates, with interns, and with an ad hoc arrangement of loaned officers from elsewhere in the bureau. These efforts have helped, but lack of time and managers to train and provide guidance to these newcomers and the very brief stays of more experienced officers “on loan” has made this help less productive than it could have been.

OIG believes that PM leaders can also help by paying more attention to task prioritization and by addressing tasking conflicts resulting from two DASes reaching into this same office. The DAS for regional stability supervises the regional stability directorate, of which RSAT is a part. However, the PDAS supervises the

coalition management group in RSAT and management of the Haiti crisis along with certain other Bureau of Western Hemisphere Affairs issues. OIG informally recommended that the PDAS and the DAS for regional stability should review the lines of authority and the two DASes should coordinate more frequently when asking for RSAT support.

Arms transfer officers, too, were in a crisis mode during the early stages of standing up indigenous security forces in Iraq and Afghanistan and were praised by Defense counterparts for their cooperation in immediate turnarounds on critical weapons transfers. This effort is subsiding, but their workload both in the number and complexity of retransfer cases has tripled in each of the last two years and shows no signs of abating. A substantial backlog of cases awaiting Office of the Legal Adviser/PM clearances adds to this workload because of the need to keep track of long-pending cases and to field many telephone calls from posts, foreign embassies, and industry producers requesting the status of transfers or sales they are eagerly awaiting. These clearance delays at times result in delays of operations important to U.S. interests. At the time of the inspection the average clearance time was 30 days, with 16 cases approaching or surpassing the half-year mark.

Recommendation 8: The Office of the Legal Adviser, in coordination with the Bureau of Political-Military Affairs, should identify and implement methods to reduce its Office of Regional Security and Arms Transfer clearance backlog and average processing time. (Action: L, in coordination with PM)

OIG found that an overly-protective atmosphere in DDTC against “outsiders” gaining access to its Defense Trade Application System (DTAS) database containing Blue Lantern, watch list, and other historical information unnecessarily hinders the ability of arms transfers officers in RSAT to carry out their clearance requirements as set forth in the Arms Export Control Act of 1968² and the Foreign Assistance Act of 1961.³ Research into the history of an original sale to determine whether it was commercial in origin, or into a retransfer, to determine whether recipients are on a watch list is often difficult and sometimes impossible. This condition puts the determination of legality and appropriateness of a particular case at risk.

² 22 U.S.C. §§ 2751 et seq.

³ 22 U.S.C. §§ 2151 et seq.

Recommendation 9: The Bureau of Political-Military Affairs should grant access to the Defense Trade Application System database maintained by the Directorate of Defense Trade Controls to the six arms transfer action officers who have a need for access to fulfill their legal clearance requirements appropriately. (Action: PM)

OIG believes that arms transfer operations would benefit from one additional FTE. The work of an additional employee would alleviate the need for one supervisor to work one or two days of each weekend to meet timeliness goals. OIG informally recommended that PM seek one position to be assigned to arms transfer work. Until PM has improved efficiency by addressing the problems outlined below, it is difficult to assess the need for additional FTE beyond that.

The past few years' history of rapid turnover in the office has been exacerbated by other recruitment and retention problems. Besides the two present management vacancies, RSAT has been unable to fill several other FS officer positions at rotation time, leaving additional one to two-year gaps.

Over the past two years, RSAT has also lost a substantial number of highly-trained Civil Service officers, both in terms of retention and as potential hires, to promotions in other offices and at Defense, creating a six to nine month gap in each case before the position could be refilled. The burnout cited above was a probable cause for many; the possibility of better pay and higher grades elsewhere was in most cases a contributing factor in the impetus to leave. OIG finds that attention should be paid to equity in grading levels with other PM offices and Defense. Interviewees noted grading disparities with similar positions in DDTC, based on special position classification authorizations for GS-14 and 15 positions and a recent reorganization of DDTC that resulted in more subdivisions and higher supervisory grades. They also noted that equivalent Defense positions are often ranked two grades higher. For instance, working level regional security officers in RSAT are graded with a full performance level of GS-13, while many desk officer and country manager positions with equivalent responsibilities in Defense and DSCA are at the GS-14 and 15 level. OIG also noted that comparable working level positions in PPA were generally at a full performance level of GS-14.

Recommendation 10: The Bureau of Political-Military Affairs should request that the Bureau of Human Resources conduct a classification analysis comparing positions in Defense and PM to determine appropriate grade levels for officers in the Office of Regional Security and Arms Transfer in accordance with applicable position classification standards. (Action: PM, in coordination with M/DGHR)

OFFICE OF WEAPONS REMOVAL AND ABATEMENT

An office that was created only a year ago, the Office of Weapons Removal and Abatement (WRA) has made progress toward becoming a well-organized, smoothly functioning, effective office, and OIG expects that progress to continue. WRA's leadership has placed strong emphasis on strategic planning and processes for deliberative decisionmaking, which is now fully developed in the case of the Humanitarian Mine Action Program. The office is still making progress in internal organization, communication, officer training, and other areas. It plans to improve its management of grant funds, particularly in obligating and granting funds in a timely fashion. The office's management, however, is aware of these problems and is committed to making progress on these fronts.

PM management created WRA from the merger of two PM offices, the Office of Humanitarian Demining Programs and the Office of Mine Action Initiatives and Partnerships, and one function, Small Arms and Light Weapons, from PM's Office of Policy, Plans, and Analysis. The office defines its mission as follows: "To develop policy options, implement destruction and mitigation programs, and engage civil society in order to reduce the harmful effects generated by indiscriminately used, illicit, and abandoned conventional weapons of war."

At the time of the inspection, WRA had three sections - the Program Section, the Policy Section, and Outreach and Public Private Partnerships. The policy section has undertaken a new responsibility on which the Administration has placed high priority: MANPADS.

While the merger of the two offices and the related function are formally complete, the effective integration of these operations remains unfinished. All staff recognize this fact, but most expect that more real unity will be achieved as the work of the office proceeds. At the beginning of the inspection, the two halves

of the staff were physically separated; during the inspection, offices were moved to a single suite. Several officers expressed the hope that the unification of the entire staff in a single suite would contribute to better integration of the office.

One factor affecting integration is the dichotomy between two kinds of officers necessary for the office's work. The office has policy officers (who are also negotiators), on the one hand, and program officers, on the other, whose divergent responsibilities and skills seem to create a virtual cultural divide within the office. The contributions of both types are vital to the success of the office and its programs. Greater mutual appreciation of differing talents would bring more unity and a deeper integration of this office.

Another element affecting integration is the quality of communication within WRA. Communication has been improving and is expected to continue to improve. However, vertical communication is better than horizontal, despite weekly office meetings. As one officer put it, "I don't need to know what everyone is doing to do my job, but I appreciate it and feel [more] involved and informed" when I do. Improved communication among the three sections would promote the effective integration of the office.

Morale within WRA is a mixed picture. A major positive factor is the understanding and appreciation of the importance of the work the office is doing. Another positive factor has been the Assistant Secretary's strong interest and involvement in the office's programs, particularly MANPADS. In general, however, morale is uneven. The office director understands the importance of morale and is concerned with improving it.

Small Arms/Light Weapons and Man-portable Air Defense Systems

WRA is responsible for policies and initiatives to eliminate a wide variety of small arms and light weapons prevalent in many areas throughout the world. It is estimated that such weapons and ammunition are instrumental in more than 300,000 deaths every year. Unlike the demining programs - which the countries concerned consider an unambiguous benefit — the elimination of small arms and light weapons requires persuasion and negotiation. Both governments and individuals within the foreign state consider such weapons valuable articles of trade that can yield hard cash - either lawfully or unlawfully - in countries that often have no other goods to export.

WRA has been making a special effort to remove MANPADS from the possession of nongovernmental groups and entities and to reduce the danger that those controlled by government are not lost to private individuals and groups. MANPADS, particularly those under the control of private groups, are a threat to the safety of airline travel in many areas.

From the beginning of FY 2001 to the present, the efforts of this section have led to destruction of 8900 MANPADS from nine countries, 700,000 weapons, and 70 to 80 million rounds of ammunition. Funding rose from \$2 million a year in FY 2001 to \$3 million in FY 2002 and FY 2003 to \$2.9 million in FY 2004. Additional money became available in late summer. The constant attention of the Assistant Secretary, including his convening three meetings a week to review the program's progress has been a major factor underlying the progress of the MANPADS issue.

The small arms/light weapons (SA/LW) program has been criticized for obligating its funds late in the fiscal year, particularly at the end of FY 2004. Although the section recognizes that it would have been better to obligate the available funds earlier, in fact it was dependent on other players involved in providing the funding and participating in the decisions for the necessary prerequisites to making these obligations. Because the office was very familiar with high priority needs and had conducted research and planning on the potential obligation of the funds, the section was well prepared to make the necessary decisions on allocating the funds among needs when the money came to be available. However, the office now intends to obligate these funds quarterly.

Humanitarian Mine Action

Working closely with other U.S. government agencies and nongovernmental organizations, international organizations, and private firms, the Humanitarian Mine Action (HMA) section of WRA develops, implements, and monitors humanitarian mine action policy and programs. By the end of 2004, the United States had provided over \$900 million in demining assistance to 46 countries, with 20 countries currently receiving assistance and five countries and one province reaching mine safe status. In FY 2004, HMA managed \$60 million in funds for demining from the Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR) appropriation and an additional \$61 million to cover costs of humanitarian demining in Iraq. The demining program generates goodwill for the United States and is used by our embassies to further relations with host country governments. As a result, NADR funding for humanitarian demining increased for FY 2005 to \$70 million.

The first year of HMA has been one of accomplishment and challenge. Despite the usual effects of reorganization on morale, the initial negative impact seems to have been reversed. Most of the program managers are energized by the cross cutting initiatives to mine action program management and planning. A few have not adapted to the merger well, and management is working with them to improve performance.

Generating a strategic plan for HMA was a significant accomplishment early on. The plan establishes goals, sets priorities, supports resource allocation decisions, and measures performance. Improvements to the humanitarian demining program management process and procedures are significant. Program managers are responsible for developing mine action country plans based on specific criteria that tie in with the WRA strategic plan, which requires coordination with U.S. embassies and the host nation. A country planning review board comprising the three WRA deputy directors and senior staff reviews all country plans and approves funding of the program. A board and panel process also reviews and approves all semi-annual grant proposals. Program managers are accountable for program planning and execution, contract or grant management, performance monitoring, financial disbursement, and coordination with policy and outreach.

A key challenge over the past year is integrating two distinct functions of humanitarian demining program management and small arms and light weapons policy negotiations into one office and one team. To reach this goal, WRA plans to move integration forward by creating geographic program and policy work teams. In countries with a humanitarian demining program and a multi year small arms and light weapons engagement, SA/LW will complete the negotiations and handover program management to HMA. Once the T bureau signs the authorization, the SA/LW destruction lead changes from policy to program. SA/LW foreign affairs officers will retain responsibility for unplanned or shorter programs. Program managers will be required to address SA/LW issues in the country plans.

Another key challenge is insufficient staff resources to meet unpredictable workflow, taskings, and expanded program requirements. Outside contract personnel hired using NADR administrative line funds provide clerical support and an additional contract and grants manager position. This may not be the best use of NADR funds, but the loss of direct-hire position authority precluded hiring permanent staff. WRA requested two positions through the BPP process; however, the positions were not approved. Because WRA allocates, implements, and executes the NADR money from start to finish, maintaining controls over the money in complete accord with regulations and legalities is a concern. WRA intends to use

one of the direct-hire positions requested in the BPP, if approved, to staff a defined financial management unit fully. OIG supports an additional position to meet the demands of increased funding for humanitarian mine action programs and expanded small arms and light weapons program requirements and made an informal recommendation to this effect. The division of NADR funds into two separate accounts for the two programs with different terms and provisions creates redundancies in funds management and limits policy options on issues that do not fall into either account. OIG agrees with WRA's request in the BPP to improve funds management and streamline the process by merging the two accounts into one NADR account.

WRA administers the humanitarian demining program through a performance based service contract and multiple grants. WRA is in the process of competing for two separate performance-based contracts, for services and administration, with a value of \$500 million, one of the largest contracts of this type in the Department. Program managers are required to monitor the performance of the service contractor and grant recipients through review of monthly and quarterly progress and financial reports. Onsite reviews by program managers ensure resources and programs are well managed. Sound decisions must be made to spend money appropriately in one country as it could be to the detriment of other countries. Continued funding requires each country to submit an annual plan through the U.S. embassy to report on program accomplishments and long-range goals reached towards mine safe operations with limited external funding.

WRA continues to make improvements to HMA program management by monitoring and measuring performance to adjust programs. It is also defining policy and procedures further and setting clear lines of authority to hold the staff accountable. Communications, cross training, and networking are priorities. To emphasize training as a priority, the entire WRA staff is required to take leadership training and grants and contract management.

Outreach and Public-Private Partnerships

Using public private partnerships to promote humanitarian demining and small arms and light weapons programs is another aspect of WRA integration. The focus is more on the humanitarian side of demining, and WRA's outreach section works closely with the HMA program managers. Management must work out lingering problems with communication and coordination, but WRA management has been well aware of these problems and is addressing them. Outreach wants to improve coordination with SA/LW to promote discussion about how to expand efforts to

develop partnerships for small arms/light weapons programs. Expanding these efforts is difficult because SA/LW programs do not lend themselves to outreach and are more sensitive because they have political implications. Outreach has some success with using the humanitarian side of demining to further interest in small arms-light weapons programs. WRA publishes an annual report on U.S. humanitarian mine action programs and accomplishments. Including small arms-light weapons in that report is under consideration.

The public-private partnership program has completed some notable achievements recently. It designed a program that in five years has grown to more than 50 organizations. It has raised awareness of the success of the U.S. program and generated over \$15 million in private sector contributions to mine action. In the process the outreach section has developed one of the most creative and dynamic web sites of any office in the Department, as noted by the Department's spokesman and Assistant Secretary for Public Affairs, who also cited WRA's outreach section as a model in applying the tools of modern information technology to the work of the Department. WRA is the only office in PM whose media notes and press releases are routinely used in the Department's main web page. WRA outreach staff have traveled across the United States making speeches and attending meetings to promote the good story of U.S. leadership in humanitarian mine action. The success of this effort was recognized in June 2004 by the presentation of the Secretary's Award for Public Outreach to the director of the partnership program. The section's challenge in the year ahead is to achieve the same level of outreach in the effort to publicize the success of the U.S. program in countries around the world, in part by working with public diplomacy officers at various embassies.

DEPUTY ASSISTANT SECRETARY FOR DEFENSE TRADE AND DIRECTORATE OF DEFENSE TRADE CONTROLS

The Deputy Assistant Secretary for Defense Trade leads the DDTC. DDTC comprises four offices: the Office of Defense Trade Controls Policy (DTCP), the Office of Defense Trade Controls Management (DTCM), the Office of Defense Trade Controls Licensing (DTCL), and the Office of Defense Trade Controls Compliance



(DTCC). A Managing Director leads and manages the four offices, and the incumbent in this position reports directly to the Deputy Assistant Secretary of State for Defense Trade.

DDTC is responsible for the process of determining whether to approve the export of weapons, ammunition, and certain other goods that are used in military operations through its licensing process. These goods include firearms, ammunition, military explosives, guided missiles, rockets, warships, combat aircraft, radar systems, military communications, space-related commodities, and the technical data for such items. The primary reason for the control of these defense goods and services is to support U.S. national security policy goals and objectives. Those goals include combating terrorism internationally and reducing international conflict. The United States cooperates with many other countries in pursuing these goals.

Controls over the exports of the articles of defense trade have a statutory foundation in the Arms Export Control Act of 1976. This statute is implemented in a regulation known as the International Traffic in Arms Regulations (ITAR). This regulation is part of a larger system for the licensing of exports from the United States. The Department of Commerce licenses other products that are subject to export controls because they are “dual use” — that is, they can be used for both civilian and military purposes, and the offices involved in the determination of approval for exports within the Department are found in the Bureau of Nonproliferation. Computers, electronics, telecommunications equipment, navigation equipment, and commercial and civil avionics are examples. These goods are restricted from export to certain countries for reasons of national security and national interest, including U.S. policies related to counterterrorism, crime control, protection of missile technology, and nonproliferation.

The directorate approves or denies almost 60,000 export licenses a year. The value of these licensing requests approaches \$100 billion annually. Many of the exported items are valued at tens of millions of dollars individually. The directorate must often make referrals to regional bureaus and other departments and agencies before a license is approved or denied. The directorate must also make decisions as to whether particular exports are subject to the ITAR, rather than being governed by another part of the U.S. government’s export regulation system. DDTC now has responsibility for the Defense Trade Advisory Group, a council of members of the public that includes representatives of U.S. exporters.

The current organization of the defense trade control function was achieved only in early 2003. PM believes that this realignment into four offices has contrib-

uted to a better performance and greater effectiveness. The realignment has empowered four office directors as decision-makers within their own areas of responsibility. It has given the office directors greater visibility and increased stature within the bureau and the Department by making them equal to other office directors in the Department. The office directors now have responsibility for hiring, discipline, and budget. Coordination is achieved through twice weekly meetings among the offices. Some staff, however, have complained that the directorate is now more compartmentalized and that it has become necessary for lower level staff to go through office directors to communicate with persons in other offices. That problem, however, is not a necessary consequence of the existence of a four office structure and can be managed by continuing the cooperative relationship among the offices.

DDTC was able to execute a financial plan in FY 2004 that supported additional activities and services with a straight-lined budget. It arranged for the first audit of registration fees ever conducted. The licensing workload has grown by several thousand applications every year, and it will probably continue to grow. In FY 2005, it increased registration fees to provide the needed financing without increasing demands on the Department's domestic and consular programs budget.

To enhance enforcement, DDTC has increased the number of "Blue Lantern" pre-licensing/post-shipment checks to the highest number ever achieved. By improving the targeting of these checks, DDTC has found the highest number of attempts to evade U.S. export controls ever achieved. DDTC has also increased the number of field visits by compliance teams. It has also obtained 400 directed and voluntary disclosures of violations of the Arms Export Control Act.

DDTC has assisted the U.S. military to achieve its objectives in recent military operations. For example, it has expedited the licensing process for coalition forces deployed in Afghanistan and Iraq, and more than 1000 licenses have been handled through this process. Because the transfer of sovereignty in Iraq instantly converted transfers to that military theater into exports, the directorate established a special process for transfer of arms to Iraq. This occurred in the context of an urgent requirement for equipping and training Iraqi forces. However, all of the export approvals were processed on a case-by-case basis. DDTC has also reviewed more than 400 technical assistance agreements in support of the Joint Strike Fighter, the largest cooperative defense project in history. DDTC also negotiated an arrangement with NATO agencies to facilitate approvals for U.S. systems deployed by several NATO member states.



DDTC has also been in a position to contribute to the U.S. position on several U.S. foreign policy problems. The directorate provided leadership for U.S. efforts to persuade the European Union not to lift its arms embargo against China. It resolved a long standing export compliance case with the South African government and private sector entities, and it created a foundation for broader periodic discussions of export controls and nonproliferation topics with this government. In order to accommodate

the resumption of defense exports to India and Pakistan, DDTC created a special process for reviewing the applications and managed to create a regular channel. It processed three presidentially approved waivers of the sanctions imposed after the suppression of the Chinese democratic movement in Tiananmen Square in 1989 for items that would not have a negative impact on national security.

Dealing with many thousands of U.S. exporters, DDTC has attempted to improve its customer service. Borrowing a method found successful in the private sector, it created a response cell to answer questions from exporters that come in more than 100 telephone calls and e-mails every day. This arrangement economizes on the time and attention that licensing and compliance officers must spend answering routine questions from exporters. It conducted an unprecedented outreach event with the U.S. academic community to educate universities and research facilities on the circumstances that may require their obtaining export licenses. After communication satellites were transferred to DDTC by the Department under the ITAR regulations, the space and satellite industry initially expressed some concerns. In light of the directorate's performance of this new responsibility, these concerns have abated.

DDTC has achieved some milestones in management. It has fulfilled numerous Government Accountability Office and OIG recommendations to increase the efficiency of its programs and processes. It has renovated its office space to accommodate an increased number of personnel. Adjustment of General Schedule levels has been important in motivating the workforce, rewarding achievement, retaining good employees, and stopping the loss of experienced staff to other agencies. DDTC has rotated licensing team leaders and DTCC division chiefs to provide broader experiences and perspectives. It has increased training by holding monthly

seminars, which are well attended. DDTC has also established a large knowledge management database with topics such as licensing and compliance guidance and administrative topics. Users, however, have made numerous complaints and found this database not user friendly.

DDTC has also made progress in implementing electronic government. D-Trade is an ambitious electronic licensing system, but, based on its interviews, OIG questions whether this system uses the best and latest technology. However, many exporters still submit their applications on paper, and many officers find the paper applications faster and easier to review. DDTC has also created a secure system for transferring D-Trade cases to Defense and other bureaus in the Department where the cases must be referred. DDTC has doubled the proportion of its information collection efforts that are subject to the requirements of the Paperwork Reduction Act and the Paperwork Elimination Act that are conducted electronically. It has attempted to improve its web site to make more and better information available to industry and other governments, who find it possible to obtain more information without taking the time of DDTC staff.

Many of these achievements are discussed more fully below. While DDTC can cite these ample achievements that it associates with the realignment of its work into four offices, OIG believes that it needs to improve its operations and performance further. DDTC management must pursue the philosophy of “continuous improvement,” that is, that it must constantly and perpetually strive to improve its processes and operations. OIG has counseled PM on this point. OIG made recommendations in the discussion of DDTC’s four offices that follows.

Training for Directorate of Defense Trade Controls Employees

OIG found that all offices in DDTC conduct training rather than allowing one office to exercise formal responsibility for overseeing this function. With all four of the directorate’s offices playing a role in the process, OIG found training is inconsistent. Although the directorate has tried a variety of approaches to address training needs, DDTC employees felt that more specialized, in depth training is needed. For example, some new DDTC employees have brief rotational assignments on different teams in the licensing and compliance offices. Also, some employees attend the Foreign Service Institute’s (FSI’s) standard orientation program for newly hired Civil Service employees or FSI’s occasional sessions on PM’s role in the Department. Also, some employees attend meetings of the Society for International Affairs, an industry association dedicated to promoting awareness of the ITAR among its members. However, not all employees who would benefit from

the experience attend these programs, although DDTC's standard practice is to give all employees the opportunity to attend. Even those receiving FSI introductory training do not gain a full understanding of DDTC's larger mission and the work of offices other DDTC and PM offices.

One promising idea now before DDTC is to develop on compact disk an online training program with specific steps or stages that each new employee would be required to complete. At completion of each stage of the program, a training supervisor would certify the employee's progress. By the end of the training, the office would have a formal record that each new employee had acquired at least some broad understanding of the directorate's mission and main functions along with more detailed knowledge of the specific requirements of his or her particular job. OIG believes that this type of training system might be extended throughout the employee's career at DDTC, with provisions for mid-grade or advanced training as employees progress to greater responsibilities and more challenging work in the directorate. However, DDTC has temporarily set aside this idea, although OIG believes that it is badly needed.

OIG believes that DDTC should clearly assign responsibility for training to one office, and this office should develop a professional training program for the directorate, perhaps through a contract, designed to include, in a first phase, general training on PM and DDTC policy and operations for all new employees. A second phase of the training should then provide licensing and compliance officers, who account for most of the directorate's staff and are responsible for its two principal functions, with more specialized training in the specific skills needed to perform their jobs.

Recommendation 11: The Bureau of Political-Military Affairs should assign responsibility for training in the Directorate of Defense Trade Controls to one of its offices and develop a formal training program designed to include (1) general training for all new employees on bureau and directorate operations and (2) a specialized training course for licensing and compliance officers in the specific skills they require. (Action: PM)

OFFICE OF DEFENSE TRADE CONTROLS POLICY

DTCP has performed its mission effectively with the resources available to it. The office participated ably in the interagency efforts to reform defense trade

policies and has provided the export trade policy expertise in defense trade talks with other governments. Defense products exporters welcomed the office's new team that responds to inquiries from companies on export license rules and applications. The team would benefit from a definition of its duties in finer detail. Staff vacancies have slowed the processing of commodity jurisdiction requests and limited efforts to explain U.S. export controls and policy to U.S. and foreign audiences.

DTCP was established in 2003 as part of the realignment of DDTC. It has four sets of duties: participation in the interagency development of defense trade controls policy; adjudication of "commodity jurisdiction" requests from companies that want to export products that may be subject to export controls under the Arms Export Control Act (AECA) and the ITAR; coordinating DDTC's outreach program to the defense trade industry and coordinating with foreign governments on defense trade controls; and responding, on behalf of all of DDTC, to inquiries from the public on defense trade licensing and the status of license applications.

DTCP has carried out its duties competently. It has pursued, with other agencies, the President's defense trade reform initiative; the review of the Munitions List; efforts to obtain Congressional support for waivers of certain requirements of the ITAR for Australia and the United Kingdom, two key allies; and a diplomatic campaign to persuade the European Union not to remove its arms embargo on China. The pace of DTCP's work on defense trade reforms and the munitions review is affected by differences between the Administration and the Congress on the proper extent of reform. The office organized a useful conference of 13 arms exporting countries held in March 2004 to promote among them cooperation conducive to the enforcement of U.S. defense trade controls.

At present one full-time employee and one part-time employee in DTCP adjudicate about 260 commodity jurisdiction requests a year. The office's decisions on commodity jurisdiction, that is, whether a potential export should be on the Munitions List controlled by the Department, or deemed a dual-use (civilian-military) product and regulated by the Department of Commerce, are important to the companies requesting the decisions. Just as importantly, the decisions can set precedents for the broader defense trade industry. The office acts pursuant to a 1996 NSC memorandum setting forth guidelines, procedures, and deadlines for consultations with the Departments of Defense and Commerce and other agencies. The number of commodity jurisdiction requests is likely to increase in the coming years as technology evolves, distinctions between defense and civilian products

blur, and exporters seek decisions to protect themselves against U.S. government enforcement actions more frequently. The NSC memo provides that the Department ordinarily should complete its examination of commodity jurisdiction requests, including consultations with other U.S. agencies, and should reply to the requestor within 60 days. Owing in part to the intermittent vacancy during the last year in the position of the full-time person working on commodity jurisdictions, the average age of the outstanding commodity jurisdiction request is 91 days.



DDTC established the response team in April 2004 to provide information on licensing to the defense trade industry, which persistently had complained that DDTC officials did not answer telephone calls. The industry enthusiastically has welcomed this initiative, which already has given the directorate a more business-friendly image. Now businesses can reach the directorate quickly by telephone and generally can obtain answers to their questions expeditiously. The directorate should not give up these gains.

The response team takes about 150 phone calls a day and also replies to e-mail and fax inquiries. It exceeds the goal, set forth in the BPP, of providing callers a response within 24 hours 90 percent of the time. The management of DDTC has not set down in writing detailed guidelines for the team's work. The team gives callers general guidance on licensing procedures and information contained in the ITAR and information on the status of long pending license applications. The team consults frequently with licensing and compliance officers in gathering information with which to respond to inquiries.

OIG noted some problems, at least during the start-up phase of the response team's work. DDTC has not issued written guidelines for the response team's work. Many individuals in DTCL and DTCC are concerned that, without adequate guidance, team members could offer opinions on licensing decisions not within their purview or improperly share sensitive license and compliance information with callers. In some cases, team members have followed up with other offices in the Department when those offices have not acted on license applications that DTCL had sent to them for clearance. In those cases in which the documents had been lost or misplaced, team members have sent to the clearance offices copies of the applications. Licensing and compliance officers have complained that in doing this, the response team seemed to take control of the officers' cases. OIG makes

no judgment on what sort of assistance the response team should provide to callers. DDTC should decide on clear guidelines for the team's work, however, and should communicate them to the response team and to the licensing and compliance offices so that there is no further misunderstanding within DDTC on the proper duties of the team.

Recommendation 12: The Bureau of Political-Military Affairs should require the Directorate of Defense Trade Controls to establish a set of guidelines for the response team that defines clearly the sorts of help it can provide to callers and the types of matters that the team should refer to other offices in the directorate. (Action: PM)

The director, four other full-time and one part-time government employee and four contractors make up the office's staff now. The office director has chosen a candidate from the centrally funded Career Entry Program to take a position in the office. The hiring of a science advisor is pending. Communication and morale within the office are good. The staff has easy access to the director for advice on priorities and substantive matters. Minor changes could improve the office's operation significantly. The collocation of the staff, now scattered throughout DDTC's twelfth floor offices would improve communication and efficiency. OIG informally recommended to DDTC that it try to place the policy office's staff members together. The lack of an office management professional assigned to the office requires the GS-13 and GS-14 commodity jurisdiction adjudicators to take time from adjudication to copy voluminous applications and mail them to other U.S. agencies for clearance. OIG informally recommended that DDTC provide DTCP clerical assistance to help reduce the backlog in commodity jurisdiction requests and to relieve the director and other employees of clerical duties.

OFFICE OF DEFENSE TRADE CONTROLS MANAGEMENT

DTCM's staff of 15 performs adequately as the office continues to work out its roles and responsibilities in the framework of the DDTC following the January 2003 realignment. DTCM staff, a mix of Civil Service employees, contract staff, and career entry program staff, is talented and experienced, and they effectively carry out their job duties. OIG also found DTCM management generally attentive to staff career development and training needs.

DTCM devotes considerable attention to overseeing the application of defense trade control regulations for the directorate. Other duties of the office include providing directorate-wide support and coordination for administrative and logistics activities, budget and resource planning. It also oversees information technology operations such as the DTAS initiative and maintaining the defense trade database. DTCM developed an administrative standard operating procedure for the directorate. The director of DTCM serves as executive secretary of the Defense Trade Advisory Group, which held its last plenary session in December 2003. DTCM also exercises DDTC's role in initiating the revision of the ITAR regulations. While recognizing that the realigned structure is evolving, OIG found some similarities of assignments or overlap in the duties of DTCM with other DDTC offices, for example, training and policy oversight and integration.

While OIG did not find major problems with DTCM in the performance of its functions, some in the bureau questioned the need for a separate DTCM office. OIG believes that the DTCM's role as a coordinator and source of support is needed regardless of whether it is in a separate office, because it is organized and assigned responsibilities in accordance with the ITAR in its rulemaking and regulatory role. The office also serves as the central point of contact for administrative, logistical, and resource management functions in the directorate and liaises with the executive office. While the office works generally well with the executive office, OIG found that there is some confusion as to which office should handle certain general services duties and counseled both parties on ways to improve coordination.

OFFICE OF DEFENSE TRADE CONTROLS LICENSING

DTCL handles by far the largest share of the burden of the four offices in the reorganized DDTC. Overall, the office has made notable progress since the realignment in improving service to the U.S. business community while continuing to enforce legal and regulatory requirements on arms trade. DTCL needs to improve its management practices in several areas, however, including training, internal communications, the organization of guidance on regulatory policies, and procedures for referring cases to other offices in the Department and outside agencies.

Within the directorate, DTCL has primary responsibility for implementing provisions of the AECA and ITAR governing commercial sales of U.S. manufactured arms to foreign buyers. Since PM's early-2003 realignment of its defense trade control functions into a directorate with a new emphasis on facilitating

commercial arms sales, DTCL has sought to balance the bureau's emphasis on speeding the processing of license applications with the need to ensure that all legal and regulatory requirements are met. The directorate has yet to reduce the average time it takes to process applications, but directorate managers believe processing times will begin to decline as more companies submit applications electronically on the office's new D-Trade database. There are numerous questions still to be answered about D-Trade, and such a reduction in processing times cannot be assumed. However, even while still relying predominantly on its old systems, including tens of thousands of paper applications, DTCL has been successful in processing record numbers of licenses without compromising its regulatory mission.

In FY 2004, DTCL adjudicated over 60,000 license applications, a 10 percent increase from the previous year, for the proposed export of sensitive military hardware and technologies valued at roughly \$100 billion. Perhaps its most notable achievement, DTCL implemented an expedited licensing process for coalition forces deployed to Afghanistan and Iraq, for which it has handled more than 1,000 requests for licenses. In a related effort, it instituted special procedures for facilitating arms transfers to Iraq after the transfer of sovereignty in order to meet the urgent requirement to train and equip Iraqi forces. DTCL also approved over 400 technical assistance agreements in support of the Joint Strike Fighter program, the largest cooperative defense project in history. The office streamlined the licensing process for commercial satellites, a function that was recently transferred to Department control under ITAR. This streamlining relieved concerns the space and satellite industry had initially expressed about this change. DTCL also developed expedited procedures for vetting defense exports to India and Pakistan, as soon as such exports are resumed.

With respect to its internal organization, the directorate gained authorization to upgrade 40 percent of its licensing staff to the GS-14/15 level. This change will help the office motivate the licensing workforce and reward achievement, and it promises to stop the loss of some of its best employees to other agencies, which until now have been able to pay more for equivalent work.

OIG noted some areas where improvements are needed. First is the sharing of information. DTCL managers and team leaders sometimes fail to pass on needed information and guidance to their subordinates. While the DTCL director meets weekly with the seven licensing team leaders, he seldom meets with licensing officers directly. Licensing officers complain that information, perhaps gathered by the DTCL director during meetings of directorate senior management and shared by him with licensing team leaders, often goes no further. While some team leaders meet regularly with their team members, others do so only sporadically. Meetings

themselves are loosely structured. Different team leaders use them in different ways. For example, while some team leaders review the status of referred cases regularly, others do not. There is no consistency from team to team, and meetings do not invariably address even basic licensing concerns. Although a strict agenda is not desirable for meetings of such small groups, the team meetings would be more productive if they were at least regularly held and slightly more structured. At a minimum, team meetings should always include brief reviews of any new guidance affecting regulatory policy and the status of overdue referrals, two subjects that are discussed more fully below. A monthly meeting of the DTCL director with all licensing officers and more structured teams meetings would alleviate some of the feeling among licensing officers that they are less than fully informed about general office policies and developments.

Recommendation 13: The Bureau of Political-Military Affairs should require the Office of Defense Trade Controls Licensing to institute a regular meeting schedule including a monthly meeting by the director with all licensing officers and weekly meetings of licensing teams with a slightly more structured format to include, at a minimum, brief reviews of any new guidance affecting regulatory policy and the status of overdue referrals. (Action: PM)

Licensing officers, in particular the many that are new to DTCL, are sometimes uncertain where to turn for regulatory policy guidance. DTCP, the directorate's policy office, is concerned with broad policy issues, those essentially at the intersection of foreign and regulatory policies. The office was never intended, however, to be the directorate's authority on the interpretation and application of the ITAR. DDTC senior managers should clarify this distinction at the same time they take steps to address the real need in DTCL for authoritative guidance on interpreting the ITAR. Before realignment, the licensing office had what amounted to a policy officer with this role. DTCL should re-establish this responsibility within the office, perhaps assigning it as an auxiliary duty to one of the two new deputy directors.

Recommendation 14: The Bureau of Political-Military Affairs should require the Office of Defense Trade Controls Licensing to designate a policy officer, possibly one of the office's new deputy directors, to have the responsibility to provide authoritative guidance on doubtful cases of regulatory policy. (Action: PM)

DTCL refers (“staffs”) a large percentage of new license applications to other offices in the Department and other government agencies for their review prior to issuing or denying a license. For example, DTCL refers approximately one-third of all new applications to the Defense Technology Security Administration (DTSA), an office of Defense. Processing an application that is referred to at least one other office takes four to five times as long as an application that does not need to be referred. Current average processing time for cases that are not referred is 12 days; it is roughly 50 days for referred applications. Because the directorate is striving to reduce processing times as much as possible consistent with the need for thorough regulatory review, it follows that DTCL should avoid making unnecessary referrals to offices that do not really need or want to see them. To do that, however, DTCL needs clear guidance from the referral offices and outside agencies on the kinds of applications they need to review. Few of these offices have provided such instructions, however, and DTCL has not made a systematic effort to collect or organize the guidance it has received over a period of years. Sometimes these instructions are communicated orally, for example, from a desk officer to a particular licensing officer, with no assurance that the licensing officer will pass on the information even to other members of the same licensing team, let alone to other teams. In short, DTCL lacks a clear set of instructions on what kinds of applications need to be referred to which agencies, inside and outside the Department. This leads not only to unnecessary referrals, with the resultant loss in processing time, but also to referrals that are not made although they should be. In the second situation, DTCL risks issuing licenses to which other Department offices or outside agencies might have raised objections.

Recommendation 15: The Bureau of Political-Military Affairs should require the Office of Trade Controls Licensing to assemble a complete set of instructions on what kinds of license applications must be referred to offices and agencies inside and outside the Department for their review prior to issuance or denial of a license and make these instructions available to all licensing officers. (Action: PM)

DTCL has a loosely organized tracking system for outstanding referrals. A technician provides the managing director with weekly printouts of the status of applications, which include information on the status of referrals. The managing director in turn reviews these printouts with office directors at their weekly meetings. The director of licensing (DTCL) then goes over the list with his team leaders, who are tasked to review it with their team members, that is, the licensing officers. A few team leaders do so regularly, but most take up referrals on an

occasional basis at best. Finally, the licensing officers are supposed to follow up on overdue referrals, address whatever questions may be delaying action and obtain responses as soon as possible. Licensing officers, however, budget little time for this activity to which they give relatively low priority.

There are many points where this cumbersome process can and does break down. The directorate is aware of the problem but believes the situation will improve when a new referral tracking system, part of D-Trade, is launched. While OIG agrees the D-Trade tracking system, which will not be activated for some time yet, holds promise, it will not run itself. The database alone will not ensure more rapid responses from the offices to which applications are referred. DTCL needs a plan for licensing officers to use the tracking database in systematic fashion to follow up on overdue referrals and get responses back in the shortest possible time.

Recommendation 16: The Bureau of Political-Military Affairs should require the Office of Defense Trade Controls Licensing to develop a plan for licensing officers to use the referral-tracking database now being designed in conjunction with D-Trade to follow up on overdue referrals and obtain responses in the shortest possible time. (Action: PM)

OFFICE OF DEFENSE TRADE CONTROLS COMPLIANCE

With committed leadership and a motivated staff, the DTCC can take credit for notable accomplishments in extending the reach of the compliance regime and strengthening the office's enforcement activities. Now disproportionately reliant on a cadre of skilled contractors, however, many of them retired Customs agents, the office could use additional FTE positions for several functions. OIG counseled the office that it should improve internal communications and work with other offices in the directorate to develop a systematic training program for new employees. In an informal recommendation, OIG encouraged DTCC to move ahead on its plan for a faster, more efficient system for reviewing names on new license applications against the office's watchlist.

DTCC monitors and ensures compliance with the AECA and ITAR. Comprising three divisions, Enforcement (END), Compliance and Registration (CRD), and Research and Analysis (RAD), the DTCC ensures that all decisions on defense trade reflect U.S. national security and foreign policy interests. The office supports the licensing process through the registration of all exporters and brokers by screen-

ing applications against a watchlist of prohibited arms dealers and administering the Blue Lantern program of pre-license and post-shipment checks. DTCC encourages full cooperation with law and regulations by supporting criminal prosecutions and implementing a range of administrative actions available to the Department for those that violate arms export controls.

The directorate's recent accomplishments include winning approval for an increase in registration fees, which will provide needed additional resources for the compliance effort without drawing on the Department's operating budget. OIG carried out the first ever audit of registration fees this year. DTCC handled about 400 directed and voluntary disclosures of violations of AECA by U.S. firms. The office increased Blue Lantern checks to the highest number ever and improved the targeting of checks. As a result, more attempted evasions of U.S. export controls were uncovered than ever before. For the first time in several years, compliance teams visited several firms outside the Washington area to brief on licensing regulations and investigate suspect transactions. Finally, DTCC resolved a longstanding export compliance case with the South African government and private entities, an accomplishment that created a foundation for broader, regular discussions on export controls and nonproliferation with this important country.

OIG found that managers in the DTCC often did not pass needed information and guidance down to their subordinates. While the DTCC director meets regularly with his three division chiefs, he seldom meets with DTCC staffers as a group or separately with the employees of each division. Compliance staff members complain that information on directorate or office level issues, which the office director might share with division chiefs at their meetings, is often not passed on to subordinate staff. Employees often felt uninformed about developments outside the area of their immediate responsibilities and unaware of larger issues in the directorate.

Recommendation 17: The Bureau of Political-Military Affairs should require the Office of Defense Trade Controls Compliance to institute a regular meeting schedule including periodic meetings of the director with the full staff of the Directorate of Defense Trade Controls and separately with the staffs of each of the three other divisions. (Action: PM)

The enforcement division of DTCC is understaffed and forced to rely too much on contractors who, while skilled in their fields, are unable to perform certain inherently governmental functions at the core of the division's work. These functions include coordination with the intelligence community and aspects of liaison

with the departments of Homeland Security (Immigration and Customs Enforcement, known also as ICE) and Justice on criminal enforcement issues. END's primary responsibility is with voluntary and directed disclosure cases when a company voluntarily discloses or is suspected of having broken ITAR regulations. Beginning about two years ago, END increased its efforts to work through the large backlog of such cases that had built up. This backlog has now been substantially reduced, and several important cases have been concluded with the levying of substantial fines on companies committing violations. Even more important than the closed cases or the penalties, however, this demonstration that the DDTC has a vigorous enforcement program in place has a deterrent effect on potential future violators. But there is more that could and should be done if END had greater resources. A greater effort would likely have a multiplier effect far beyond its additional cost. The division needs at least two FTE employees with investigative skills. PM has requested these positions in its BPP for FY 2004-FY 2006, but so far the Department has not authorized them. If it receives more programmatic staff, the enforcement division will also require additional legal backstopping, which the Department should provide through enhanced support from the office of the assistant legal adviser for PM. OIG counseled the Office of the Legal Adviser on the need for more rapid attention to queries from the DDTC and the potential need for more support if DDTC obtains additional program staff. OIG also counseled DDTC on these points.

It is suggestive to compare the Department's enforcement program with that of the Department of Commerce. Commerce's Bureau of Industry and Security is responsible for enforcing export controls over dual use goods and technologies (i.e., goods with both civil and military applications). This enforcement program is in some respects analogous to that of the Department, except that Commerce is able to draw on much greater resources in its effort. In FY 2004, the export enforcement office of the Bureau of Industry and Security had a total of 208 FTE, including a full professional staff of investigators and lawyers. By comparison, DTCC's entire staff, all three of its divisions combined, comprised 29 people (15 FTE and 14 contractors). And while several of its contractors are trained investigators and one part-time contractor is a lawyer, the DTCC did not have a single FTE with professional investigative or legal training. In other words, although the Department is charged with enforcing a program at least comparable in size and dollar value to that of Commerce, and one dealing exclusively with the most sensitive arms exports (i.e., it has no civil component), the Department has, by several orders of magnitude, significantly less resources.

Recommendation 18: The Bureau of Political-Military Affairs should request positions for two full-time equivalent employees with professional investigative skills in the Enforcement Division of the Office of Defense Trade Controls Compliance in its 2007 Bureau Performance Plan. (Action: PM)

DTCC's registration division also needs two additional FTE positions. The argument here is analogous to that in END. Certain of the division's responsibilities are inherently governmental, but CRD currently has only three FTE positions, including the supervisor, and is otherwise staffed by contractors. For example, CRD collected about \$3.2 million in registration fees during the most recent period audited by OIG (March 2002 through April 2003). This audit (AUD/PR-04-25, July 2004) found that fee collection and recording processes in the division are not timely. DTCC attributes this problem in part to the fact that CRD contractors are not permitted under regulation to handle these funds. This essentially leaves a single CRD Civil Service employee available for all required collections, much of the records processing, and transport of these monies between Department offices. Another example concerns DTCC's initiative to carry out targeted inspections of companies suspected of violating the AECA. Such inspections, some of them outside the Washington area, can take several weeks or months to complete, and at least one FTE employee must be included on any inspection team. In practice, this has meant that either the division chief must lead the team, thereby leaving the division without a supervisor for some period, or the inspection has to be postponed. OIG recommends that two FTE positions be added to CRD specifically to support these activities. PM also requested these positions in its BPP for FY 2004-FY 2006, but again the Department has not authorized them.

Recommendation 19: The Bureau of Political-Military Affairs should request in its 2006 Bureau Performance Plan two full-time equivalent employees in the Compliance and Registration Division of the Office of Compliance, Directorate of Defense Trade Controls, to ensure the division handles registration fees in a manner consistent with regulations and enable it to conduct additional inspections of companies suspected of violating the Arms Export Control Act. (Action: PM)

Every new license application must be run against a watchlist of prohibited arms dealers maintained by DTCC. About a year ago the directorate decided to require such watchlist checks for several additional categories of parties cited in applications, significantly increasing the workload on DTCC. For example, the

names of freight forwarders and the parties involved in arms agreements, neither of which had been previously run against the watchlist, are now checked. While such added checks clearly enhance security over sensitive arms sales, they have added to the time it takes DTCC to complete watchlist procedures. The application remains on hold until these steps are completed, adding significantly to the total time required to process license applications.

Until now, a single employee in the Research and Analysis Division has performed most watch list checks. OIG discussed the matter with DTCC management, which recognizes that current arrangements have lengthened application processing times and are no longer satisfactory. It is therefore taking steps to change them. Most importantly, the office has decided to divide the burden among the entire RAD staff, making different RAD employees responsible for those watchlist checks relating to applications from the licensing teams to which the employees are already assigned to provide liaison under the Blue Lantern program. OIG believes this change, and several others the office is instituting in coordination with DTCL, will solve this problem. OIG welcomed DTCC's initiative and urged the office to follow through quickly on these plans.

RESOURCE MANAGEMENT

The NP-AC-PM-VC executive office (NP-AC-PM-VC/EX) provides strong support to the PM's 263 employees, and customers are generally satisfied with the support they receive. OIG identified a need for a permanent position in the front office to support the PDAS in handling the management and administrative portfolio and also to work closely with the EX. OIG also found significant weaknesses concerning the bureau's attention to EEO and training. While management controls are generally adequate, PM needs to follow Department regulations for formally designating contracting officer's representatives (CORs). These issues are discussed below.

Bureau of Political and Military Affairs	Positions on Board	Positions Vacant	Total	Total Funding (000s)
PM D&CP Allotment				\$10,155
PM Public Diplomacy				8
PM/WRA NADR Demining				48,727
PM/WRA NADR SA/LW				9,982
PM/ISO World Wide Security Upgrades				1,321
PM/ISO Iraq Suppl for PMAT and PM/CMRT				601
PM Overseas Rep				4
PM/WRA Demining				61,000
PM/DTC Munitions Fees				4,740
PM-Information Systems				2,477
PM-Int'l Trust Fund Demining and Mine Victims Assistance				9,941

FTE				
Civil Service	125	16	141	
FS Domestic	33	4	37	
FS Overseas	5	1	6	
Other Positions*	75	4	79	
Totals	238	25	263	\$148, 956

*Includes part-time, intermittent, temporary employees, hiring exceptions, centrally funded, FS short tours, military detailees, Civil Service detailees

RIGHTSIZING

Rightsizing is clearly an issue to be addressed in PM with assistance from the Department. At a time of burgeoning workload in the bureau resulting partly from the demands of the global war on terrorism, various offices in the bureau are clearly understaffed. Different offices experience this problem to varying degrees and in different forms. SNA has an adequate staff that will continue to be challenged by the requirements of the GDPR. The POLAD coordinator's office is understaffed by at least two positions and is using WAE's to cope with a growing workload. PPA is somewhat understaffed. OIG estimated that 20 to 30 percent of RSAT's positions remained unfilled for the last three years even though the office has perpetually struggled to keep up with its workload. WRA's expanded program requirements and unpredictable workflow have forced it to use NADR funds that could better be used for programs to relieve the pressure. DDTC's four offices seem to be in better shape, but it relies heavily on contractors and detailees. It needs, however, at least two full time employees with investigative skills. As noted above, OIG found that its compliance office of 29 employees is accomplishing an amount of work comparable to an office of about 200 at the Department of Commerce. The heavy workload has contributed to burnout and low morale in many offices. Management from the office director level up has attempted to develop arrangements that would relieve the problem, but the problem remains. Management has also sought new positions in the annual BPP process.

EXECUTIVE OFFICE SUPPORT

Overall, PM receives good support from an experienced and well-trained EX staff. NP-AC-PM-VC/EX provides a high level of service to its customers. The office is unique in that it is the only EX in the Department supporting four bureaus. It is organized into functional areas each headed by a deputy executive director with a team assigned to each. NP-AC-PM-VC/EX has seven employees that directly support the 263 staff in PM. The teams provide the full range of EX services—human resources, budget and general services, and resource management. (Information technology support for all T bureaus is located in VC.) The executive director attends or sends a representative to the weekly PM bureau senior staff meetings.

While each of the four T bureaus has a staff member to handle the front office management portfolio and liaise with the executive office, PM hired a consultant to serve in this capacity instead of devoting a permanent position to it. AC has a dedicated FS-01 staff assistant position reporting to the assistant secretary, and VC and NP each has a GS-15 Civil Service position reporting to the assistant secretary. The PDAS in PM is assigned the management portfolio and carries out this function, but until August 2003, PM had only two DASes; a new DAS position, now the PDAS, was created to handle the management portfolio and certain important policy issues. Because of her heavy workload and increasing policy responsibilities, however, she brought in an expert consultant with extensive EX experience to handle this portfolio. This arrangement has worked well since the consultant's arrival a year ago, and her arrival has resulted in positive changes and much needed attention to management and administrative issues. The PDAS, consultant, and EX staff are addressing the need for a position dedicated to support for the DASes in the front office. In response to an OIG recommendation in the draft of this report, PM created a second FS staff assistant position with a one-year tour that will rotate with the existing one. The incumbent, who will work directly for the PDAS, will serve as lead staff assistant for six months and serve as the staff assistant the second six months. OIG believes that the PM front office needs a permanent position for several reasons which include: the management weaknesses identified in previous sections of the report; the size of PM, which is the largest of the four T bureaus; and the bureau's ever increasing workload over the past several years, particularly since the beginning of the global war on terrorism. OIG believes that it is critical that PM have a permanent position in its front office to liaise with the EX and to ensure front office attention to administrative and management issues.

While some PM employees said they preferred that PM have a separate EX, OIG believes that the current structure is sufficient for providing support to PM. The bureau currently receives, which OIG verified, high quality service from NP-AC-PM-VC/EX. Moreover, there are several advantages to the current EX structure. For example, the EX is one of the few in the Department with Office of Personnel Management delegated examining authority up to the level of GS-13, which speeds up the hiring process as distinguished from the bureau's depending on the Department's central system. Also, the current EX structure allows teams assigned to the four bureaus to back one another up when additional support is needed.

HUMAN RESOURCES DIVISION

The EX human resources team of three provides sound support to PM and provides the full gamut of personnel services, including staffing, guidance on career development and performance management, position classification, and human resources policy development. NP-AC-PM-VC/EX has delegated personnel authority to the GS-13 level and depends on the Bureau of Human Resources/Civil Service Personnel to classify GS-14 and above positions and Office of Personnel Management-delegated examining authority up to GS-13. The experienced and well-trained staff is customer service oriented. In January 2004, the Director General's office cited NP-AC-PM-VC/EX as a best practice for accountability and delivery of Civil Service human resources services, and in 2001 for developing a tracking system for certificates that the Department used as model for other bureaus. The EX human resources staff interfaces effectively with PM bureau employees and uses the NP-AC-PM-VC/EX web site to distribute personnel notices and policies to employees to supplement notices Department employees receive through the Department's Opennet system. However, OIG found that some employees need additional information on personnel policies and procedures and counseled EX staff on additional ways to disseminate information to employees.

OIG found some human resources issues needing PM management attention with additional guidance from the NP-AC-PM-VC/EX as necessary. These issues include increased attention to EEO, training, orientation, career development, and staffing, as described below.

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Recommendation 20:

Training and Orientation

As discussed previously in the report, training issues need to be addressed in the bureau. It is unclear which DDTC office is responsible for training, and the degree of training directorate employees receive is inconsistent. Also, PM does not have a formal orientation program for new employees. While new Civil Service and foreign employees attend FSI orientation courses, PM lacks an orientation program to introduce new employees to the bureau’s varied goals, policy issues, and procedures. OIG made a recommendation in the DDTC section to address these issues.

Performance Evaluation and Career Evaluation

OIG found that the performance plans for some PM employees do not reflect all of their job responsibilities. OIG also found that some PM supervisors did not perform the required formal progress review for Civil Service employees despite

reminders from NP-AC-PM-VC/EX. Also, OIG found that some Civil Service employees hired under the career entry program did not have a structured program as required by the Department's guidance. OIG made informal recommendations to address these issues.

Staffing

OIG found high turnover in Civil Service positions in the RSAT office, discussed in a previous section of the report. The turnover appeared to be the result of a number of factors, including poor office management and the lack of sufficient promotion opportunities for GS-13 level employees. The high turnover resulted in long vacancies, constant retraining of staff, and permanent employees working long hours to carry out their duties. Attracting mid-level FS officers to work in PM is also a challenge for a number of reasons, including the lack of a tier complement of FS officer positions in the bureau, difficulty in finding onward assignments in regional bureaus and their overseas posts, the poor history of promotions for those who had served in the bureau, and the shortage of available mid-level officers in the Department to fill the positions. NP-AC-PM-VC/EX is working with PM management to address the issue, including more aggressively recruiting qualified bidders and developing a career path by downgrading some FS-02 positions to FS-03.

BUDGET AND GENERAL SERVICES DIVISION

The EX budget and general services (BGS) division provides an adequate level of support to PM. The staff in the division's two branches (budget formulation and general services support) is well trained, experienced, and customer service-oriented. The formulation staff works closely with PM and EX resource management staff to develop diplomatic and consular program budget submissions to Congress and the Office of Management and Budget and financial plan requests to the Bureau of Resource Management. This branch also coordinates resource requests for PM's BPP and the annual Federal Managers Financial Integrity Act assurance letter. The BGS general services support branch provides good support to PM on space, property, and procurement matters, including liaising with the contract managers in the Bureau of Administration and PM program officers. OIG reviewed a sample of invoices and purchase card transactions and found that they were managed and controlled in accordance with Department guidelines and procedures.

While customers are generally pleased with the support BGS provides, a question arose about the level of general services the EX office should provide to DDTC. DTCM has a full time GS-09 office administrator handling all administrative and logistical duties for the directorate. The GS-09 office administrator is assisted by a GS-08 administrative assistant and a contractor. The administrator's duties include serving as the COR on most DDTC service contracts and directly liaising with the SA-1 building manager. While not expressed as a major concern, DTCM often performs traditional general services functions. For example, when DDTC planned and initiated a recent renovation of its offices, DTCM staff worked directly with the Bureau of Administration. It also did most of the legwork when getting photocopiers repaired and replaced. On the other hand, DDTC sometimes initiated projects that needed EX support, but the staff did not contact the EX office until after the fact. OIG suggested informally that the two staffs should meet more frequently throughout the year to discuss DDTC general services related plans and initiatives to give the EX office sufficient notice to anticipate and plan for the support that may be required.

OIG also found that the DTCM office administrator serves as COR for many of the service contracts in DDTC. While she has been performing COR duties adequately under the supervision of DTCM management, she has not been formally designated as COR and has not received the required training. (This issue is discussed further in the management controls section of the report.) OIG also informally suggested that DTCM request a desk audit of the office administrator's position requirements to determine whether they should be upgraded, because OIG found that the current incumbent is performing diverse duties since the realignment, including COR responsibility for a number of service contracts. DTCM management agreed and said that they planned to do this.

RESOURCE MANAGEMENT DIVISION

The resource management division of NP-AC-PM-VC/EX provides adequate budget execution and allotment management to PM for appropriations totaling about \$150 million. OIG found PM customers are generally pleased with the support they receive. A team of two supported by the deputy director effectively provides services that include voucher preparation and processing (travel and representation), allotment monitoring, funds availability certification, and financial reporting. The customer service oriented staff also coordinates adequately with bureau program officers to execute the funds for programs they manage. Based on a review of a sample of invoices, vouchers, and financial reports, OIG found ad-

equate processes in place and accounts managed according to Department guidelines and procedures. While the staff does a good job responding to the bureau's requests, it may need additional resources to bring staffing to levels commensurate with the growth in financial resources PM has experienced over the past several years. NP-AC-PM-VC/EX requested additional resource management staff in NP's FY 2006 BPP, but the request was not approved because of other priorities. The EX plans to create an entry-level budget analyst position to ease the workload of the staff if the request is eventually approved. OIG agrees that this support for PM is needed.

Contracts and Grants

WRA administers and manages about \$200 million in active contracts. In FY 2004 alone, \$119.6 million in total funds was awarded to WRA, and OIG found the office's ability to manage these funds had improved over the past year, despite significant increases in funding from FY 2003 levels. The reorganization of WRA a year ago created workload challenges for its operational staff. Currently one program officer, a warranted grants officer, handles contracts and grants execution for WRA programs, assisted by a consultant who also handles financial management. The financial management analyst position is currently vacant but was being advertised during the inspection. This office was one of the first among Department bureaus to use a performance-based contract, one of the Presidential Management Initiatives, and PM has been recognized for this achievement. The staff has a good working relationship with the Bureau of Administration's Office of Acquisitions Management contracting office staff and coordination between offices is good. WRA has strived to improve the grants and contracts process; for example, processes are being standardized and written procedures developed. The bureau web site includes an application request for the grants application process, open to bidders biannually, and WRA has established an awards review committee. PM management requires program officers and their supervisors to attend both COR training and the FSI basic grants management course. WRA also holds workshops for some of the nongovernmental organizations, which is helpful to educate them about the grants application process. PM also uses E-Grants, an initiative to standardize grants in the federal system, which has improved the turnover time in getting funds to grantees, reduces the paperwork burden, and allowed real-time tracking of grant applications, awards, and post-award reports. This appears to be working well in PM.

During the inspection, the WRA operational staff was heavily involved with the recompetition of the current contract. The new contract will include SA/LW and MANPADs projects. While performing adequately, OIG believes the operational section is insufficiently staffed to continue to perform contracts and grants execution and financial management at its current level and take on additional responsibilities. PM requested an additional program officer in the FY 2004 BPP but was awaiting the Bureau of Human Resources' allocation of domestic FTE for 2004 during the inspection. PM bureau management initially approved an additional FTE, but then on at least two occasions used it for other priorities. In January 2005, when the new contract is expected to be awarded, WRA's operational staff will begin managing contracts and grants for SA/LW and MANPADs. This will centralize contracts and grants management as well as financial management in WRA, and OIG agrees that this should be done. The current staff has on several occasions throughout the year worked considerable overtime to keep up with the workload, especially getting the funds obligated by the end of the fiscal year. Because of the additional anticipated workload, additional staff in this office is needed to ensure timely processing of task orders and grants and related modifications and amendments, in addition to well timed obligation of funds.

Recommendation 21: The Bureau of Political-Military Affairs should add or reprogram at least one additional full-time equivalent position to perform contracts and grants management and oversight for the Office of Weapons Removal and Abatement. (Action: PM)

MANAGEMENT CONTROLS

The bureau's management controls program is generally acceptable and meets the basic requirements of 2 FAM 020. PM submitted the annual management controls statement of assurance on July 17, 2004. In the submission, the Assistant Secretary stated that he had taken the necessary measures to assure that an evaluation of management controls was conducted to determine whether PM's system of management controls comply with standards prescribed by the Comptroller General. The NP-AC-PM-VC/EX deputy director for BGS is the designated management controls officer for PM. Before the inspection, PM completed a risk assessment review, and the Bureau of Resource Management's corresponding results and evaluation of the scores found that five of PM's offices (POLAD, CPA, ISO, RSAT, and DTCL) scored below 75 percent. In response, PM management reviewed the scores with the appropriate office directors to verify their accuracy and determine whether an action plan was needed. As a result, they concluded that the low scores were primarily the result of outdated or nonapplicable questions rather than program vulnerabilities. OIG identified an internal control weakness in the contracting area, as described below.

Contracting Officer's Representative

PM has several employees throughout the bureau who perform COR duties, including signing invoices and timesheets and performing general contract oversight and management. While they perform these duties in an official capacity for PM and in some cases, their work requirements and performance standards include COR responsibilities, OIG found no official designations for CORs in the sample it reviewed, as required by Department contracting regulations. In one directorate, there was confusion as to whether the COR was in the EX or the directorate. OIG also found in its limited review that one COR had not received the required COR training. One of the COR's duties is to notify the contracting officer of problems with contractor performance. Conforming to Department of State Acquisition Regulations 642.270 for formal designation and training of CORs also ensures timely resolution of problems with contractors.

Recommendation 22: The Bureau of Political-Military Affairs, in coordination with the Bureau of Administration, should formally designate as a contracting officer's representative each bureau employee responsible for contract administration as a contracting officer's representative, in accordance with Department of State Acquisition Regulations. (Action: PM, in coordination with A)

INFORMATION TECHNOLOGY AND INFORMATION SECURITY

DDTC relies on the Bureau of Verification and Compliance's Office of Verification Operations' (VC/VO) information technology staff to provide systems management and technology support, including day-to-day operations of DTAS activities. DTAS is the computerized system that allows applicants to apply for arms export licenses electronically. VC/VO is responsible for access control functions and configuration management to ensure that DTAS is compliant with the Department standards and policies, while DDTC is responsible for managing the information processing of DTAS.

Defense Trade Application System Overview

To support its mission of defense trade regulation, enforcement, and policy guidance, DDTC has developed a set of business applications for receiving, approving, and tracking the execution of export and import licenses. Three processes have been implemented to support handling of license applications. The first process receives hardcopy license applications and updates. The second process receives license applications and requests to amend licenses electronically, but back up material is received in hardcopy and then "married" with the electronic submission. The third process involves fully electronic submissions. Other minor processes exist for handling requests to become an exporter or importer and for investigating activities that may be in violation of U.S. law.

This information technology system supports the submission of export license applications in both hardcopy and electronic formats. It also supports tracking the multi-agency process of evaluating license applications. Finally, it supports the offline processes associated with registration of exporters and importers, and noncompliance investigations.

The hardware architecture of this system consists of distributed components residing on the DDTC intranet (DTCNet), on the DDTC extranet (ELLIENet), and on systems in the importer or exporter facility. The DDTC Intranet is the DDTC internal network that is a standard Ethernet-based switched backbone hosting all user workstations, file and print servers, and application servers. It is a

closed loop network with no outside electronic connection. The only connectivity to the outside world is by physical file transfer (done via tape) to the DDTC extranet. Outbound data is moved, via tape, to servers on the extranet, and then transferred to its intended destination (e.g., over the Internet or through various government agency networks). Inbound data is received by one of the inbound extranet servers, copied to tape, and moved over to the DDTC intranet. This “Air Gap” architecture provides a level of security of the DDTC operational environment.

All connectivity to industry is done via the DDTC extranet. The DDTC extranet is a series of isolated servers connected to the outside. These servers are ELLIENet Web Server, D-Trade Server, Remote Online Bulletin Board and the Department of Homeland Security/Customs interface server. The connection methods for these servers vary ranging from phone, to dedicated link (e.g. Customs), or to the Internet.

The system has two main components: the Defense Trade Application (DETRA), and the Electronic License Entry System (ELLIE). DETRA is the primary component residing on the DDTC Intranet. It serves as the main tool for tracking all applications (both electronic and hardcopy) and is also the main tool for entering hardcopy license applications. DETRA is an in-house DDTC developed application using a commercial off the shelf database package that resides on each DDTC user workstation (local) and on the network file server that also houses the DETRA operational database (centrally shared).

ELLIE is the second component of the DDTC IT support system. It comprises three main parts, ELLIE2 (the stand-alone application that runs on client computer systems), ELLIENet (implements a web based method for submitting licenses and updates), and, lastly, the Remote Online Bulletin Board (a Citrix-based process that provides an alternate means of moving license data to DDTC).

Export License Process

Within PM, DDTC controls the export of munitions under the authority of the Arms Export Control Act.⁴ Although the Act authorizes the President to control the export of items included on the U.S. Munitions List, the President delegated this responsibility to the Secretary of State in 1977 by Executive Order 11958.

⁴ 22 U.S.C. 2751 et seq

DDTC provides foreign policy advice to entities involved in manufacturing, exporting, and brokering defense articles and services. DDTC also reviews and approves munitions license applications in accordance with the International Traffic in Arms Regulations,⁵ which specifies procedures that persons subject to U.S. jurisdiction must follow in furnishing defense articles or services abroad. DDTC has its own process for reviewing and approving munitions export license applications in-house, but also forwards many of these applications to other organizations, internal and external, to the Department for review. This export control process also supports the Presidential Management Agenda (business-to-government, government-to-government) as well as several Department of Homeland Security initiatives.

The submission process begins with industry, which has several options for submitting a munitions export license application to DDTC:

- Hard copy by either mail, courier, or hand-delivery;
- Electronically through the Internet using DDTC's ELLIE or the first phase of the Defense Trade Application System (D-Trade); and
- Dial-up server to DDTC's Remote Online Bulletin Board.

When a hard copy or electronic license application is received from industry, DDTC transfers information from the web server (or scanned hard copy) to its DETRA system. Developed from a commercially available database system, DETRA is used for a variety of licensing and export compliance activities, including tracking license applications, scanning supporting materials, and querying license approval status. Each license application is assigned a case number and then distributed to a licensing team within the office for review. The licensing officer assigned to the case performs an initial review of the application to determine whether it is accurate and complete. If the application is not complete or is not properly prepared, it is returned without action to the applicant. Approximately 70 percent of complete applications are reviewed and adjudicated by DDTC without external involvement or referral to other government entities.

DDTC sends out about one-third of the approximately 60,000 annual license application requests for additional review and comment. More than half of these 20,000 license applications are sent to various bureaus and offices within the Department. These groups include:

⁵ 22 C.F.R. Subchapter M

- Bureau of Democracy, Human Rights, and Labor;
- Office of Regional Security Arms Transfer Policy;
- Bureau of International Environmental and Scientific Affairs; and
- Regional bureaus.

The groups review the applications for policy, human rights, and environmental implications. The bureaus may also refer applications to other offices within the Department for additional review.

Outside the Department, the Defense plays a significant role in conducting national security reviews of munitions export license applications. Defense reviews about 14,000 cases of the annual licensing workload that DDTC sends out for external review. DDTC transfers these applications to the DTSA every day. A DTSA employee creates an inventory of the license applications using a commercially available word processing application and places the inventory in a logbook. These applications are then input to Defense's Foreign Disclosure and Technical Information System and referred to licensing officers who determine the additional review requirements by Defense component agencies. After receiving position papers from all of the Defense components asked to review a case, DTSA compiles a final Defense position on a license application. DTSA transmits the final Defense position to DDTC electronically via SIPRNet and the Department's classified e-mail server. In some instances, other agencies such as the Department of Energy and the National Aeronautics and Space Administration are also involved in munitions license application reviews.

DDTC maintains computerized files on each license application throughout the internal and external review process. When all positions are received on a given license application, the reviewers' positions are input into the DETRA, the case is closed and then transferred to the responsible licensing officer for final review and action. If DDTC receives recommendations from all reviewers that a license application should be approved, and DDTC agrees with the recommendations, DDTC issues the license to the exporter. If another agency makes a substantive case for denial, DDTC almost always respects that. If there is a disagreement among agencies, DDTC attempts to arrive at consensus, but occasionally these issues have to be referred up the Department's chain of command for resolution. Applicants have a variety of avenues for appeal of a denial.

At the end of the license review process, DDTC coordinates with the Department of Homeland Security (Customs) to ensure enforcement of approved licenses in accordance with the appropriate requirements. DDTC electronically sends

information on approved licenses to the Department of Homeland Security/ Customs' Automated Export System. Department of Homeland Security/Customs inspectors verify that exporters have valid licenses before goods are shipped overseas. When a license has expired or been exhausted, Customs returns the license to the Department.

Computerized Licensing Support Systems

ELLIE was the first computerized application for replacing the paper-based licensing application process. ELLIENet consists of a series of web-based and bulletin board servers to collect licensing application packages, and to distribute the status of the licensing application within the process. The Remote Online Bulletin Board provides dialup capability for submission of text files of license application data as well as the current status of previously submitted license applications.

ELLIENet provides access via the Internet through a web browser. Based on Secure Sockets Layer protocol hypertext markup language (HTML) forms, the interface allows data entry and the direct submission of license application request information to the DDTC web server. This method may also be used to check the status of any previously submitted license application request.

System Development Life Cycle

In response to OIG Report IT-A-02-02,⁶ VC/VO developed the D-Trade web-based license application system intended to be paperless, user friendly, and security sensitive. This report described the needs (1) to develop business requirements with all participants; (2) to reengineer the process to address identified business requirements; (3) to develop and implement an effective, interoperable information technology systems approach; and (4) to assess information security risks in the reengineered process. Many of these requirements have not been met.

Business Requirements

VC/VO could not provide any documentation supporting a management approved project plan, where the external and internal users (stakeholders) had agreed on requirements of D-Trade. A development plan provided to OIG dis-

⁶ Memorandum Report No. IT-A-02-02, Streamlined Processes and Better Automation Can Improve Munitions License Reviews

cusses the use of relevant stakeholders needs and feedback, but it does not provide supporting documentation showing that the users verified, validated, or accepted the requirements. OIG also reviewed the PM submission to the Deputy Secretary's Senior Review and VC/VO Office of Management and Budget A-11 (Exhibit 53 and 300) Business Case for the full implementation of the first phase of the D-Trade program. OIG reviewed meeting notes from the Aerospace Industries Association Export Controls Committee (10/25/04) meeting with industry, DDTC, and VC/VO. OIG was told that the development of the first phase of D-Trade had a high turnover of DDTC users supporting the project.

Many licensing officers think that D-Trade, in its current incarnation, is far more cumbersome than its predecessor, which is still in use for the great majority of licensing cases. The first phase has the application submitted electronically, but all of the (usually voluminous) supporting documentation is sent in paper. Selected licensing officers participated in the testing or "beta" phase, but VC/VO did not demonstrate a process for addressing the many difficulties licensing officers have encountered in D-Trade.

For example, the system lacks a suitable "search" tool that would enable users to find information quickly. According to licensing officers, it is time consuming to scroll through many screens of background data in D-Trade in order to locate a specific item of information required to complete an application. Some business users complain that the system is inflexible. For example, when an applicant makes a mistake or omits some piece of information in completing a form, D-Trade blocks further action or submission of the form but fails to identify where in the application an incorrect entry has been made or what information has been omitted.

Re-engineered Process

VC/VO recently instituted a number of initiatives to upgrade the information technology that supports the licensing process. 5 FAM 600 provides guidance on developing and managing information technology projects. One such guideline is the need to analyze mission processes to help improve the efficiency and effectiveness of their operations before making significant investments in information technology. However, PM's approach has been primarily one of automating aspects of the existing process without first examining the underlying process and considering streamlining alternatives.

Interoperable Approach

DDTC and VC/VO hired an independent contractor to provide support in documenting its munitions export licensing systems, as well as providing recommendations for improvement, i.e., database conversions and front-end electronic submission. The contractor provided a series of documents to include systems specifications and user manuals for the legacy system (DETRA). In addition, five contractors provided strategies for enhancing DDTC's capabilities. VC/VO also contracted out the development of the first phase of the D-Trade project for enhancing the process and addressing the OIG findings and recommendations.

OIG found an informal process for managing internal and external user requirements. VC/VO was mandated to implement a system without full participation of the user community, and the first phase was based on processing information from the application form as currently designed. OIG found that the D-Trade first phase project lacks the involvement of the user community to successfully turn the first phase into an effective operational program.

Security Risks

The contractor also prepared a risk assessment. As discussed in the section on information systems security, this risk assessment has not been translated into a comprehensive security plan that ensures that PM applies the appropriate resources to protect its information assets. VC/VO and DDTC have expended significant resources in the development of the D-Trade application first phase but have not expended the resources needed to reduce the associated risk of this complex project.

Recommendation 23: The Bureau of Political-Military Affairs should establish a formal process and forum for developing business requirements for the export license application process in its entirety to include membership from internal and external stakeholders. The formal process should include business requirements, verification and validation of requirements, and acceptance of the application. (Action: PM)

Recommendation 24: The Bureau of Political-Military Affairs, in coordination with the Bureau of Verification and Compliance, should ensure compliance with Department information technology lifecycle standards by developing a project plan compliant with the Department's Managing State Projects methodology. (Action: PM, in coordination with VC)

Configuration Management

VC/VO has established an information technology Change Control Board to oversee DTAS and has regularly scheduled meetings to prioritize changes and maintain the baseline software and hardware. The VC/VO systems management staff maintains standard operating procedures for the daily operations of all DDTC systems. VC/VO also manages the DDTC intranet DTCNet, a client/server environment that is configured to the Department operating standards. VC/VO also oversees the management of the connection to the Internet Service Provider.

OIG determined that technical and operational controls in several areas were not implemented. VC/VO does not comply with Department guidance (5 FAM 800 and 12 FAM 600) on the configuration and maintenance of ELLIENet in the following areas:

- The DDTC web site was incorrectly implemented with a nonprofit organization uniform resource locator (*PMDTC.org*).
- The DDTC web site does not comply with guidance on federal web sites contained in 5 FAM 770 including disabled access and content.
- The servers supporting ELLIENet could be disrupted because of inadequate configuration management.

Recommendation 25: The Bureau of Political-Military Affairs should assign a content manager for reviewing and updating Directorate of Defense Trade Controls information residing on the Internet. The content manager should ensure that the Directorate of Defense Trade Controls web site is compliant with departmental regulations. (Action: PM)

Recommendation 26: The Bureau of Political-Military Affairs, in coordination with the Bureau of Verification and Compliance, should correct the configuration deficiencies of ELLIENet. (Action: PM, in coordination with VC)

Information Security

PM has several information management initiatives underway to track and monitor munitions exports. In some cases VC/VO is providing oversight if not providing the information technology solutions. DDTC operates both corporate communication infrastructures (OpenNet and ClassNet), with the standalone LAN supporting DTCNet. The information on DTCNet is sensitive and proprietary to industry users. All information management systems require a level of protection commensurate with the associated risk in its management.

The information systems security officer is responsible for maintaining the system security plan for DTAS. DTAS was approved for operations for three years (October 2003 - October 2006) as part of the Department's ongoing certification and accreditation process. However, OIG review of the documentation identified that the review boundaries were limited to the DTCNet legacy processing and did not cover ELLIENet or D-Trade - the two applications where the majority of the processing is occurring.

OIG found that neither PM nor VC/VO has a complete system security program plan which outlines the methodology to protect its mission related information.

Recommendation 27: The Bureau of Political-Military Affairs should develop a systems security program plan to ensure that the information entrusted to the bureau is protected commensurate with the associated risk in their operations. This plan should be fully compliant with the Department's requirements. (Action: PM)

VC/VO provides an information systems security officer to ensure that the Department's information security policies and procedures are implemented. The Executive Director of NP-AC-PM-VC has designated the information systems security officer and the alternate information systems security officer as required by departmental requirements, and both have been trained to perform the duties. The information systems security officer has established a working group with VC/VO systems staff and contractors to ensure system security initiatives are implemented in the daily operations processes. The information systems security officer regularly scans the systems located on DTCNet; during the review, the information systems security officer performed configuration scans and searches. The results from previous scans measured a 30 percent increase (58 percent to 87 percent) in compliance with departmental standards.

FORMAL RECOMMENDATIONS

- Recommendation 1:** The Bureau of Political-Military Affairs, building on the work that has been done in the Office of International Security Operations, should establish a committee to examine the further institutionalization of the Political-Military Action Team. (Action: PM)
- Recommendation 2:** The Department should direct the task force reviewing the Office of the Under Secretary for Arms Control and International Security's Organization to examine the Department's mandate for foreign consequence management and determine the appropriate scope of work of the foreign consequence management team and the most appropriate placement of the team within the Department. (Action: M/P, in coordination with PM, S/CT)
- Recommendation 3:** The Bureau of Political-Military Affairs should confirm that the Office of the Political Advisor's Coordinator will continue to report directly to a Foreign Service officer Deputy Assistant Secretary. (Action: PM)
- Recommendation 4:** The Bureau of Political-Military Affairs, in coordination with the Bureau of Human Resources, should establish a position for a senior Foreign Service officer as the political advisor coordinator and director of the bureau's political advisor office. (Action: PM, in coordination with M/DGHR)
- Recommendation 5:** The Bureau of Political-Military Affairs, in coordination with the Bureau of Verification and Compliance, should identify the Office of the Political Advisor Coordinator's electronic connectivity requirements to the Bureau of Information Resource Management for access to Department information systems. (Action: PM, in coordination with VC and IRM)
- Recommendation 6:** The Bureau of Political-Military Affairs should conduct a review of the responsibilities assigned to its Office of Policy, Plans, and Analysis and its Office of Regional Security and Arms Transfers in order to determine whether responsibilities should be reallocated between the two offices or into other organizational arrangements. (Action: PM)
- Recommendation 7:** The Bureau of Political-Military Affairs should identify and reestablish a contractual relationship with an individual or individuals with requisite technical expertise to provide surge capacity for critical infrastructure protection in the event of a crisis or emergency. (Action: PM)

Recommendation 8: The Office of the Legal Adviser, in coordination with the Bureau of Political-Military Affairs, should identify and implement methods to reduce its Office of Regional Security and Arms Transfer clearance backlog and average processing time. (Action: L, in coordination with PM)

Recommendation 9: The Bureau of Political-Military Affairs should grant access to the Defense Trade Application System database maintained by the Directorate of Defense Trade Controls to the six arms transfer action officers who have a need for access to fulfill their legal clearance requirements appropriately. (Action: PM)

Recommendation 10: The Bureau of Political-Military Affairs should request that the Bureau of Human Resources conduct a classification analysis comparing positions in Defense and PM to determine appropriate grade levels for officers in the Office of Regional Security and Arms Transfer in accordance with applicable position classification standards. (Action: PM, in coordination with M/DGHR)

Recommendation 11: The Bureau of Political-Affairs should assign responsibility for training in the Directorate of Defense Trade Controls to one of its offices and develop a formal training program designed to include (1) general training for all new employees on bureau and directorate operations and (2) a specialized training course for licensing and compliance officers in the specific skills they require. (Action: PM)

Recommendation 12: The Bureau of Political-Military Affairs should require the Directorate of Defense Trade Controls to establish a set of guidelines for the response team that defines clearly the sorts of help it can provide to callers and the types of matters that the team should refer to other offices in the directorate. (Action: PM)

Recommendation 13: The Bureau of Political-Military Affairs should require the Office of Defense Trade Controls Licensing to institute a regular meeting schedule including a monthly meeting by the director with all licensing officers and weekly meetings of licensing teams with a slightly more structured format to include, at a minimum, brief reviews of any new guidance affecting regulatory policy and the status of overdue referrals. (Action: PM.)

Recommendation 14: The Bureau of Political-Military Affairs should require the Office of Defense Trade Controls Licensing to designate a policy officer, possibly one of the office's new deputy directors, to have the responsibility to provide authoritative guidance on doubtful cases of regulatory policy. (Action: PM)

Recommendation 22: The Bureau of Political-Military Affairs, in coordination with the Bureau of Administration, should formally designate as a contracting officer's representative each bureau employee responsible for contract administration as a contracting officer's representative, in accordance with Department of State Acquisition Regulations. (Action: PM, in coordination with A)

Recommendation 23: The Bureau of Political-Military Affairs should establish a formal process and forum for developing business requirements for the export license application process in its entirety to include membership from internal and external stakeholders. The formal process should include business requirements, verification and validation of requirements, and acceptance of the application. (Action: PM)

Recommendation 24: The Bureau of Political-Military Affairs, in coordination with the Bureau of Verification and Compliance, should ensure compliance with Department information technology lifecycle standards by developing a project plan compliant with the Department's Managing State Projects methodology. (Action: PM, in coordination with VC)

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Recommendation 26: The Bureau of Political-Military Affairs, in coordination with the Bureau of Verification and Compliance, should correct the configuration deficiencies of ELLIENet. (Action: PM, in coordination with VC)

Recommendation 27: The Bureau of Political-Military Affairs should develop a systems security program plan to ensure that the information entrusted to the bureau is protected commensurate with the associated risk in their operations. This plan should be fully compliant with the Department's requirements. (Action: PM)

INFORMAL RECOMMENDATIONS

Informal recommendations cover operational matters not requiring action by organizations outside the inspected unit and/or the parent regional bureau. Informal recommendations will not be subject to the OIG compliance process. However, any subsequent OIG inspection or on-site compliance review will assess the mission's progress in implementing the informal recommendations.

Security Negotiations and Agreements

While PM/SNA is organized appropriately to meet its current workload, unexpected heavy new negotiating requirements from the Global Defense Posture Review could tax SNA's staff.

Informal Recommendation 1: The Bureau of Political-Military Affairs should monitor the Office of Security Negotiations and Agreements negotiating workload and supplement its staff, if necessary.

Office of the Political Advisor Coordinator

Currently three PM offices (ISO, CPA, and PM/POLAD) organize Department briefings for military visitors. However, PM/POLAD is currently understaffed and should concentrate on its priority missions.

Informal Recommendation 2: The Bureau of Political-Military Affairs should transfer requests for Department briefings to military visitors from the Political Advisor to International Security Operations and/or the Office of Congressional and Public Affairs.

PM convenes an annual two-day POLAD conference that features prominent speakers and provides POLADs with updates on current issues from a Washington perspective. However, the conference does not provide sufficient coverage for training newly hired POLADs in defining their mission and the resources available to them.

Informal Recommendation 3: The Bureau of Political-Military Affairs should add a training segment to the annual Political Advisor conference.

Informal Recommendation 4: The Bureau of Political-Military Affairs should seek Defense approval to include newly hired Political Advisors in the Capstone training course during their first year as advisors.

OIG found that some POLADs are not being used to their full capacity as senior officers, and that there are difficulties in filling all the POLAD positions.

Informal Recommendation 5: The Bureau of Political-Military Affairs should conduct an informal survey of Political Advisors to assess which positions are being appropriately used and which might be better placed elsewhere.

Office of Plans, Policy and Analysis

The CIP unit in PPA lacks travel money to participate in international meetings and conferences dealing with international cooperation on cyber security. Offices and agencies with better funding than the Department are sending representatives, making important contacts, and representing the U.S. government in an area where the Department has the co-lead, without the benefit of Department input.

Informal Recommendation 6: The Bureau of Political-Military Affairs should assess the possibilities for increased travel funding for the critical infrastructure protection unit.

Office of Regional Stability and Arms Transfers

OIG found that the acting office director of RSAT often fills three management jobs at once and cannot pay sufficient attention to any of them. OIG believes she currently needs the support of a full-time deputy, either a WAE or the Bureau of European and Eurasian Affairs section chief as acting. If the latter, the position should be filled by a WAE.

Informal Recommendation 7: The Bureau of Political-Military Affairs should hire a when actually employed person to fill one vacant management position in the Office of Regional Security and Arms Transfer—either the regional security deputy vacancy or the Bureau of European and Eurasian section chief.

The DAS for Regional Stability supervises the Regional Stability directorate, of which RSAT is a part. However the PDAS supervises the Coalition Management group in RSAT and management of the Haiti crisis, along with certain other Bureau of Western Hemisphere Affairs issues. At times both are making urgent demands for staffing assistance of the same officers without apparent knowledge of competing priorities.

Informal Recommendation 8: The principal deputy assistant secretary and the deputy assistant secretary for Regional Stability should straighten out lines of authority or the principal deputy assistant secretary should coordinate with the deputy assistant secretary when asking for Office of Regional Security and Arms Transfer support so that priorities can be assigned, or both.

Office of Defense Trade Controls/Policy

DDTC policy staff is currently scattered throughout twelfth floor offices in SA-1. OIG feels collocating DDTC policy staff should improve communications and efficiency.

Informal Recommendation 9: The Bureau of Political-Military Affairs should locate Directorate of Defense Trade Controls policy staff members in offices together.

OIG found GS-13/14 commodity jurisdiction adjudicators performing clerical tasks that divert them from substantive duties.

Informal Recommendation 10: The Bureau of Political-Military Affairs should provide Directorate of Defense Trade Controls policy staff with clerical support to help reduce the backlog in commodity jurisdiction requests and to relieve the director and other employees of clerical duties.

Office of Defense Trade Controls/Compliance

Currently only one employee in RAD is responsible for completing compliance watch list checks, which has lengthened processing times for licenses. DDTC policy plans to make different RAD employees responsible for those watchlist checks relating to applications from the licensing teams to which the employees are already assigned to provide liaison under the Blue Lantern program. The office also plans to institute other measures in coordination with DTCL to address this problem.

Informal Recommendation 11: The Bureau of Political-Military Affairs should implement its plans to redistribute watch list checks among Research and Analysis Division employees and implement other planned changes to reduce the processing time for licenses.

Human Resources

OIG found that the performance plans for some PM employees did not reflect all of their job responsibilities. OIG also found that some PM supervisors did not perform the required formal progress review for Civil Service employees despite reminders from NP-AC-PM-VC/EX. Also, OIG found that some Civil Service employees hired under the career entry program did not have a structured program, as required by Department guidance.

Informal Recommendation 12: The Bureau of Political-Military Affairs should follow Department procedures for (1) updating position descriptions and performance plans to accurately reflect employees' job duties, (2) performing the mid-year progress reviews with subordinates during the Civil Service appraisal cycle, and (3) carrying out the requirements of the career entry program for all Civil Service employees hired into the bureau through this mechanism.

PRINCIPAL OFFICERS

	Name	Arrival Date
Assistant Secretary	Lincoln P. Bloomfield	05/01
Principal Deputy Assistant Secretary	Rose Likins	08/03
Deputy Assistant Secretary	Kara Bue	01/03
Deputy Assistant Secretary	Gregory Suchan	03/03
Office Directors:		
Directorate of Defense Trade Controls		
Managing Director	(vacant)	
Office of Defense Trade Controls Policy	Ann Ganzer	09/04
Office of Defense Trade Controls Management	Michael Dixon	08/04
Office of Defense Trade Controls Licensing	Peter Berry	08/04
Office of Defense Trade Controls Compliance	David Trimble	08/04
Office of Security Agreements and Negotiations	Robert G. Loftis	08/04
Office of International Security Operations	Lawrence Stutzriem	08/04
Office of POLAD Coordinator	(vacant)	
Office of Congressional and Public Affairs		
Office of Plans, Policy and Analysis	Elena Kim-Mitchell	10/03
Office of Regional Security and Arms Transfers	(vacant)	
Office of Weapons Removal and Abatement	Richard Kidd	06/04
NP/AC/VC/PM Executive Director	Cathleen Lawrence	04/99

ABBREVIATIONS

AC	Bureau of Arms Control
ACDA	Bureau of Arms Control and Disarmament Agency
AECA	Arms Export Control Act
BGS	Budget and General Services Division
BPP	Bureau Performance Plan
CIP	Critical infrastructure protection
COR	Contracting officer's representative
CPA	Office of Congressional and Public Affairs
CPP	Office of Contingency Planning
CRD	Compliance and Registration Division
D-Trade	First Phase of the Defense Trade Application System
DAS	Deputy Assistant Secretary
DDTC	Directorate of Defense Trade Controls
Defense	Department of Defense
Department	Department of State
DETRA	Defense Trade Application
DTAS	Defense Trade Application System
DTCC	Office of Defense Trade Controls Compliance
DTCL	Office of Defense Trade Controls Licensing
DTCM	Office of Defense Trade Controls Management
DTCP	Office of Defense Trade Controls Policy
DTSA	Defense Technology Security Administration
E-Grants	Electronic Grants
EEO	Equal Employment Opportunity
EER	Employee Evaluation Report

ELLIE	Electronic License Entry System
END	Enforcement Division
EX	Executive Office
FS	Foreign Service
FSI	Foreign Service Institute
FTE	Full Time Equivalent
GDPR	Global defense posture review
HMA	Humanitarian Mine Action
HTML	Hyper Text Markup Language
ITAR	International Traffic in Arms Regulations
ISO	International Security Operations
L	Office of the Legal Adviser
MANPADS	Man-portable air defense systems
NADR	Nonproliferation, Anti-Terrorism, Demining, and Related Programs
NATO	North Atlantic Treaty Organization
NP	Bureau of Nonproliferation
NSC	National Security Council
OIG	Office of Inspector General
PDAS	Principal Deputy Assistant Secretary
PM	Bureau of Political-Military Affairs
PMAT	Political-Military Action Team
POLAD	Political Advisor
PPA	Office of Plans, Policy and Analysis
RAD	Research and Analysis Division
RSAT	Office of Regional Security and Arms Transfer
S/CPR	Office of the Chief of Protocol
S/CRS	Office of the Coordinator for Reconstruction and Stabilization
S/OCR	Office of Civil Rights

SA/LW	Small Arms/Light Weapons
SNA	Office of Security Negotiations and Agreements
T	Office of the Under Secretary for Arms Control and International Security
VC	Bureau of Verification and Compliance
VO	Office of Verification Operations
WAE	When actually employed
WRA	Office of Weapons Removal and Abatement

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~~SENSITIVE BUT UNCLASSIFIED~~