OFFICE OF INSPECTOR GENERAL

Program Performance Report

Fiscal Year 2003

Nearly 25 years ago, Congress sought to increase oversight of federal programs and operations, and to create a mechanism to report independently the results of these oversight reviews, with the passage of the Inspector General Act of 1978. The Act established Inspectors General to keep agency heads and Congress informed about program or operational deficiencies and gave them the authority and responsibility to be independent forces for effectiveness, efficiency, and economy within the federal government. On August 27, 1986, the U.S. Department of State's Office of Inspector General (OIG) was established under amendments to the Inspector General Act.

The State Department has a long history of mandated inspections and oversight to ensure program integrity. The 1906 Act to Reorganize the Consular Service of the United States required reviews of consular offices abroad to ensure the accurate accounting of consular fees and proper performance of their duties. In 1924, the Rogers Act expanded the inspection universe to include diplomatic as well as consular posts. This requirement was further expanded under the Foreign Service Act of 1946, which required Foreign Service inspectors to "inspect in a substantially uniform manner and at least once every two years the work of the diplomatic and consular establishments of the United States." The inspection cycle was extended to five years under the Foreign Service Act of 1980, which also established the Inspector General of the Department of State and the Foreign Service. To ensure that this function was carried out in an independent and objective manner, the Omnibus Diplomatic Security and Antiterrorism Act of 1986 required the establishment of an independent OIG at the Department by October 1, 1986, and increased the responsibilities of the office to include audits and investigations. The new State Department Inspector General was designated to serve concurrently as the Inspector General of the Arms Control and Disarmament Agency (ACDA).

Passage of the Omnibus Appropriation Act of 1996 (PL 104-28) merged the Office of Inspector General of the U.S. Information Agency (USIA), including the Broadcasting Board of Governors (BBG), with that of the Department and ACDA, effective April 26, 1996. The Foreign Affairs Reform and Restructuring Act of 1998 integrated ACDA into the Department on April 1, 1999, and USIA into the Department on October 1, 1999, completing the consolidation begun under the Office of Inspector General merger.

OIG Strategic and Performance Goals

The Government Performance and Results Act of 1993 (Results Act) requires agencies to submit annual performance reports detailing their success in achieving the goals and measures in their annual performance plans. As the independent oversight body for the Department of State, as well as the Broadcasting Board of Governors, the Office of Inspector General has chosen to develop its own vision, mission, and strategic and performance goals and to submit individual performance plans and reports along with those of the Department.

OFFICE OF INSPECTOR GENERAL

F O R

THE UNITED STATES DEPARTMENT OF STATE

A N D

THE BROADCASTING BOARD OF GOVERNORS

VISION & MISSION

VISION

To support the Department of State and the Broadcasting Board of Governors in achieving their missions as effectively, efficiently, and economically as possible.

MISSION

The mission of the Office of Inspector General is to serve as an independent, objective reviewer and evaluator of the operations and activities of the Department of State and the Broadcasting Board of Governors. We analyze those operations and activities with a view toward promoting effectiveness, efficiency, and economy. We seek out instances of fraud, waste, abuse, and mismanagement, and we work to prevent them. We report to the Secretary of State, the Broadcasting Board of Governors, and the Congress, keeping them fully and currently informed of significant developments and serious concerns.

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MESSAGE FROM THE DEPUTY INSPECTOR GENERAL

I am pleased to present the FY 2003 Performance Report for the Office of Inspector General (OIG) of the Department of State and the Broadcasting Board of Governors (BBG). This represents the fifth annual performance report issued by the OIG and describes our accomplishments and success in achieving the performance results targeted in our FY 2003 Performance Plan.

In accordance with our statutory independence, we have developed our own strategic and performance plans and goals, rather than adopt those of either the Department or the BBG. However, because we believe that our success is ultimately reflected in the agencies' success in achieving their respective missions and goals, our goals are expressed in terms of outcomes that support their efforts to carry out their programs and operations efficiently, effectively, and economically, with integrity and accountability.

FY 2003 was a successful year in terms of both the influence of OIG's work on Department and BBG programs and operations and our overall progress over prior years' results in realizing our strategic and performance goals. The responsiveness of the Department to OIG's work and recommendations has resulted in some notable accomplishments during the past year.

- Passport application requirements have been revised to make it necessary for children under 14 to appear in person when applying for a passport, closing a loophole that facilitated the smuggling of children.

- Embassy designs have been changed to correct a security vulnerability identified by OIG that could have compromised the safety of U.S. employees and information overseas.

- OIG audits and investigations resulted in nearly $13 million in potential monetary benefits, and the Department took action to recover and make better use of more than $14 million in questioned costs and funds whose better use was previously identified by OIG.

- The BBG closed the Tokyo news bureau of Radio Free Asia as a cost-saving measure that allowed limited resources to be used more effectively elsewhere.

- Actions taken by the Department and BBG in response to other OIG recommendations have resulted in improvements to programs and operations affecting munitions exports, protection of classified information, financial information and systems, use of government travel cards, and the Office of Cuba Broadcasting.

We have also showed improvement in our results for many of the measures we use to assess our own performance, especially those related to the security of Department and BBG personnel, information, and facilities. We recognize, however, that regardless of what we have accomplished and the progress that we have made, we must continually strive to improve the relevance and impact of our work to meet the expectations of the President, the Congress, our agencies, and the American people. OIG is committed to meeting and exceeding those expectations in FY 2004 and beyond.

Anne W. Patterson
Deputy Inspector General

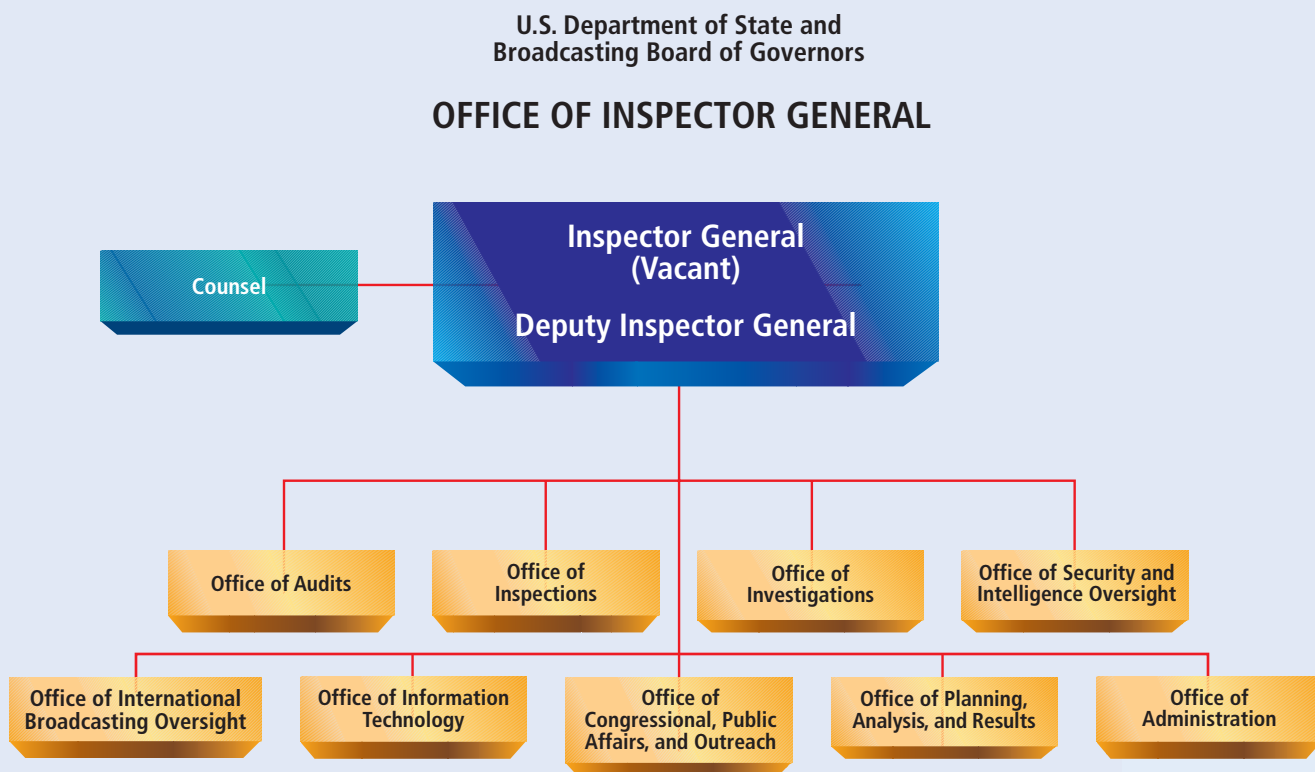# MANAGEMENT'S DISCUSSION AND ANALYSIS
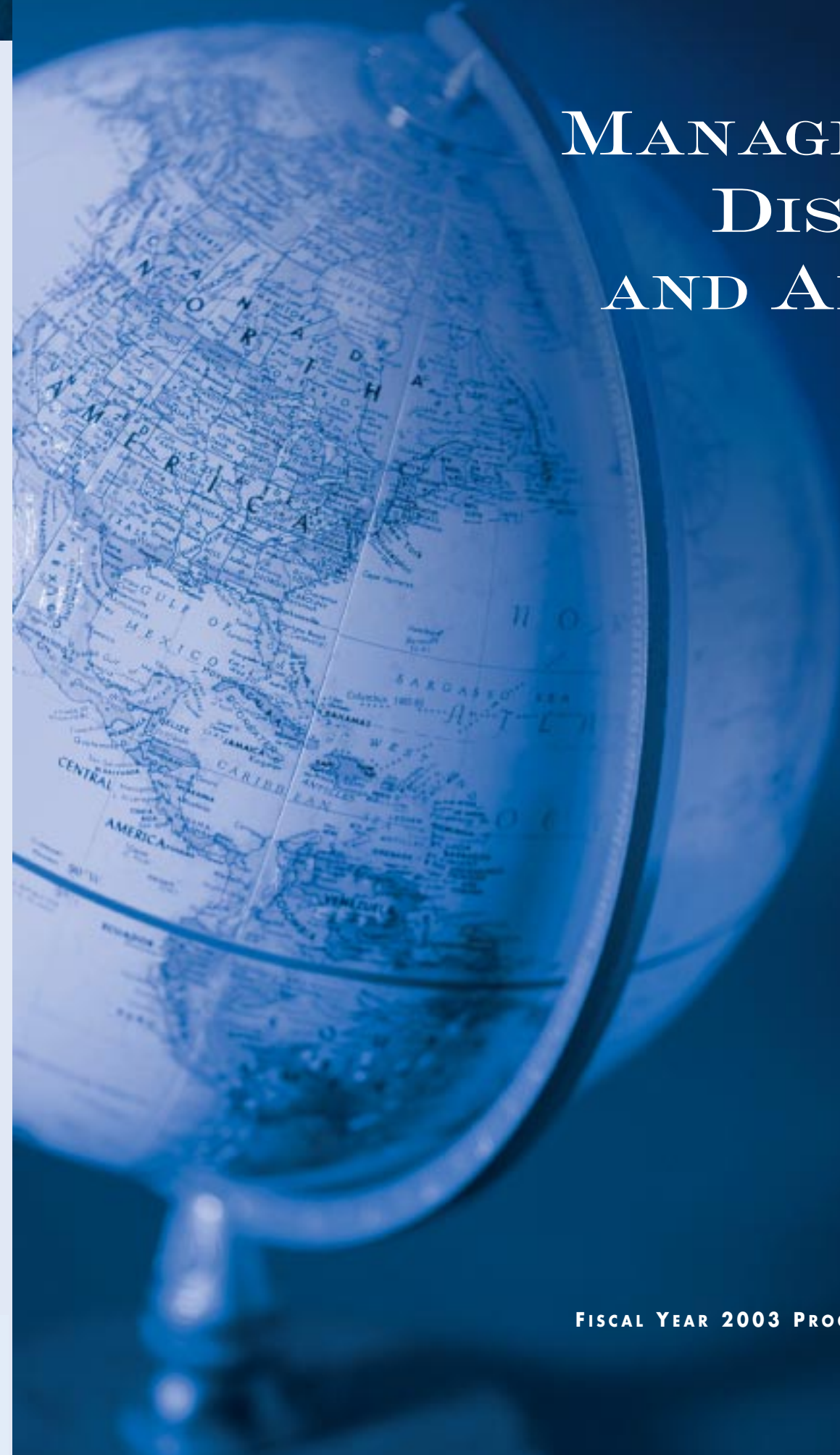
OIG RESPONSIBILITIES AND ORGANIZATION

Responsibilities

The Office of Inspector General is required by law to provide independent and objective oversight of the operations and activities of the Department and the Broadcasting Board of Governors. It is OIG's responsibility to examine, evaluate, and where necessary, critique these operations and activities, recommending ways for these agencies to carry out their respective responsibilities in the most effective, efficient, and economical manner possible. OIG's oversight consists primarily of audits of programs, operations, and activities; inspections of missions, bureaus, and international broadcasting installations; and investigations of allegations and instances of fraud, waste, abuse, and mismanagement.

Organizational Structure

All OIG operations are located in the Washington, D.C., area, although OIG staff conduct their work at all Department and BBG locations worldwide. As shown in the organizational chart below, OIG's mission is carried out by six functional offices (Audits, Information Technology, Inspections, Security and Intelligence Oversight, Investigations, and International Broadcasting Oversight) and four support offices (Counsel; Administration; Congressional, Public Affairs, and Outreach; and Planning, Analysis, and Results), each headed by an Assistant Inspector General.

**U.S. Department of State and
Broadcasting Board of Governors**

OFFICE OF INSPECTOR GENERAL

Counsel

Inspector General
(Vacant)

Deputy Inspector General

- Office of Audits
- Office of Inspections
- Office of Investigations
- Office of Security and Intelligence Oversight
- Office of International Broadcasting Oversight
- Office of Information Technology
- Office of Congressional, Public Affairs, and Outreach
- Office of Planning, Analysis, and Results
- Office of Administration

OUR PEOPLE

Composition and Number

OIG's workforce consists of approximately 225 employees in the Civil Service and Foreign Service. The pie chart below shows the distribution of our workforce between these two categories. Our full-time, permanent staff is supplemented by retired Foreign Service annuitants and external contractors, as necessary.

Workforce Composition
Full-time Permanent Employees

Foreign Service (22) 10%

Civil Service (203) 90%
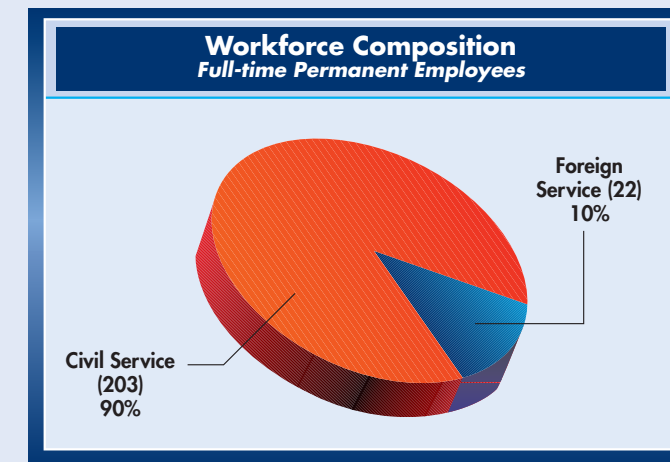
Since FY 1996, the total number of OIG employees has decreased by almost 10 percent, while the Department has increased the number of its employees by 25 percent, expanding considerably OIG's oversight responsibility.

Staff on Hand at end of Fiscal Year for Fiscal Years 1996 - 2003

FISCAL YEAR	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
STAFF ON HAND	248	244	242	256	218	223	218	225
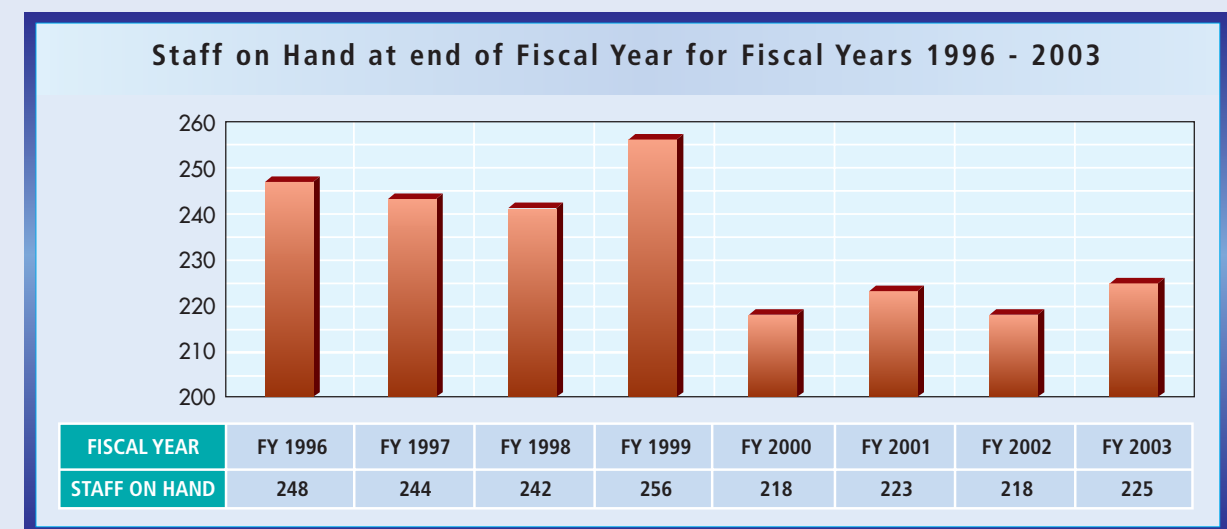
HOW WE ASSESS OUR PERFORMANCE
OUR PERFORMANCE MANAGEMENT TEMPLATE

Five-Tiered Methodology

Like the Department, OIG is committed to, and focused on, using the funds it receives from Congress—the tax dollars of American citizens—to produce successful results. To do so, the OIG has adopted a five-tiered performance management methodology, similar to that of the Department, but without the Department's strategic objectives (all of OIG's strategic goals, for the most part, support the Department's strategic objective to "Strengthen Diplomatic and Program Capabilities"). Because all our indicators focus on quantifiable result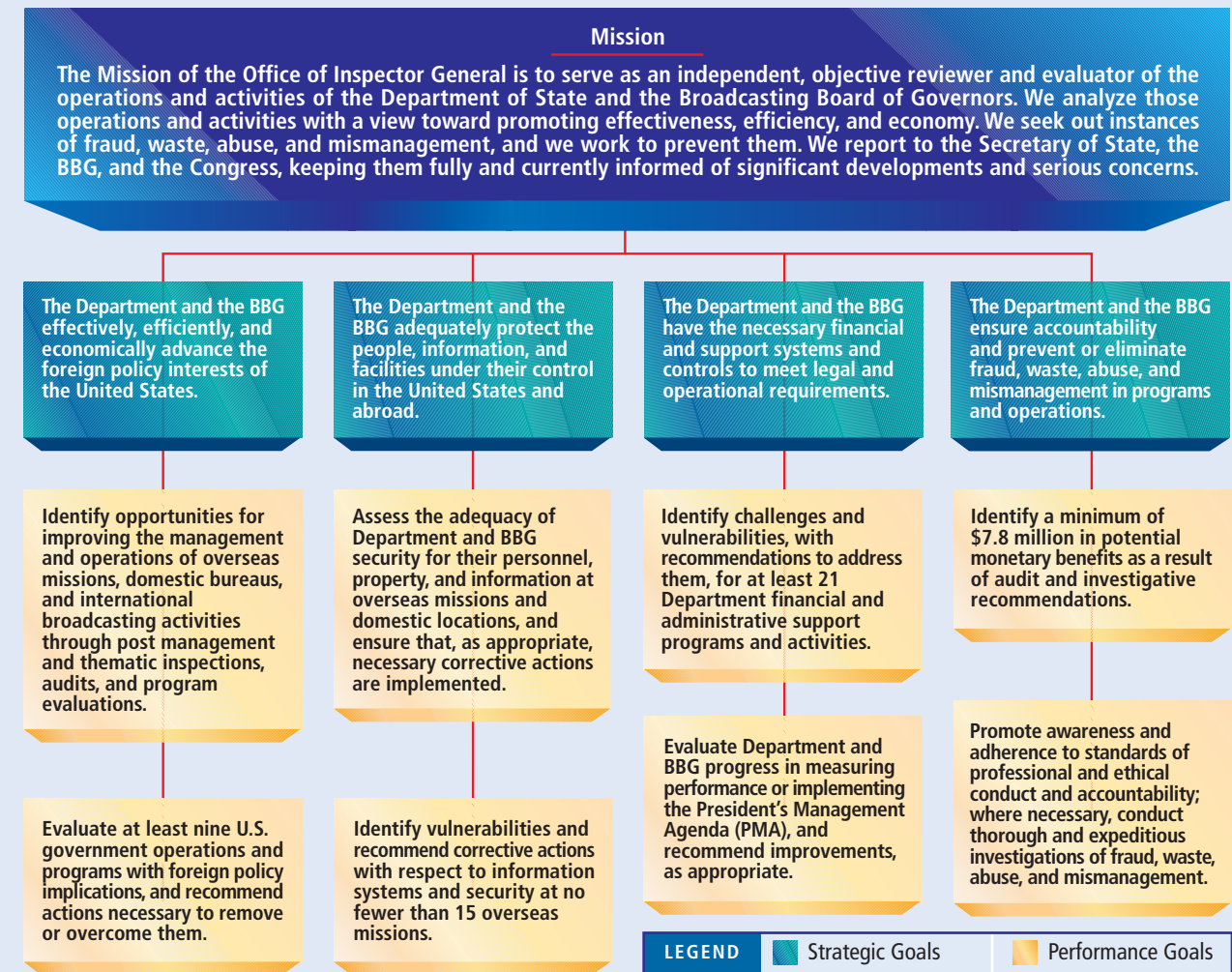s, we also report major accomplishments, noting specific activities and results not captured by our indicators that contribute to the achievement of our strategic goals. The component tiers of our performance management methodology are defined below.

OIG PERFORMANCE MANAGEMENT METHODOLOGY	
Strategic Goals	OIG's four long-term goals, as detailed in its Strategic Plan.
Performance Goals	The desired annual results OIG expects to achieve, which are necessary for attaining the strategic goals. OIG has eight performance goals and two internal enabling goals.
Activities/Programs	Specific functional areas and/or activities, such as audits, inspections, and investigations, to which OIG's resources are devoted to achieve the desired strategic and performance goal results.
Performance Indicators	Values and characteristics that OIG uses to measure progress achieved toward its stated annual performance goals.
Performance Targets	Quantifiable expressions of desired performance levels and results for a given fiscal year.

STRATEGIC PLANNING FRAMEWORK

Strategic and Performance Goals

Within the parameters of the performance management methodology shown on the previous page, OIG focuses its work around four strategic and eight performance goals that capture both the breadth of its mission and its specific responsibilities.

Mission

The Mission of the Office of Inspector General is to serve as an independent, objective reviewer and evaluator of the operations and activities of the Department of State and the Broadcasting Board of Governors. We analyze those operations and activities with a view toward promoting effectiveness, efficiency, and economy. We seek out instances of fraud, waste, abuse, and mismanagement, and we work to prevent them. We report to the Secretary of State, the BBG, and the Congress, keeping them fully and currently informed of significant developments and serious concerns.

The Department and the BBG effectively, efficiently, and economically advance the foreign policy interests of the United States.

The Department and the BBG adequately protect the people, information, and facilities under their control in the United States and abroad.

The Department and the BBG have the necessary financial and support systems and controls to meet legal and operational requirements.

The Department and the BBG ensure accountability and prevent or eliminate fraud, waste, abuse, and mismanagement in programs and operations.

Identify opportunities for improving the management and operations of overseas missions, domestic bureaus, and international broadcasting activities through post management and thematic inspections, audits, and program evaluations.

Assess the adequacy of Department and BBG security for their personnel, property, and information at overseas missions and domestic locations, and ensure that, as appropriate, necessary corrective actions are implemented.

Identify challenges and vulnerabilities, with recommendations to address them, for at least 21 Department financial and administrative support programs and activities.

Identify a minimum of $7.8 million in potential monetary benefits as a result of audit and investigative recommendations.

Evaluate at least nine U.S. government operations and programs with foreign policy implications, and recommend actions necessary to remove or overcome them.

Identify vulnerabilities and recommend corrective actions with respect to information systems and security at no fewer than 15 overseas missions.

Evaluate Department and BBG progress in measuring performance or implementing the President's Management Agenda (PMA), and recommend improvements, as appropriate.

Promote awareness and adherence to standards of professional and ethical conduct and accountability; where necessary, conduct thorough and expeditious investigations of fraud, waste, abuse, and mismanagement.

LEGEND	Strategic Goals	Performance Goals

OIG's four Strategic Goals are shown on the next page, together with their corresponding eight Performance Goals and 19 Performance Indicators.

STRATEGIC GOAL #1
- Foreign Policy -

Performance Goal Description	Performance Indicators
Improving the management and operations of overseas missions, domestic bureaus, and international broadcasting activities	◆ Percentage of recommendations resolved within 6 months ◆ Percentage of recommendations closed within 1 year ◆ Percentage of significant recommendations closed within 1 year ◆ Percentage of posts inspected within last 5 years
Evaluating U.S. government operations and programs with foreign policy implications; identifying obstacles, and recommending actions necessary to remove or overcome them	◆ Reports issued

STRATEGIC GOAL #2
- Security -

Performance Goal Description	Performance Indicators
Assessing the adequacy of Department and BBG security for their personnel, property, and information at overseas missions and domestic locations and ensuring that, as appropriate, necessary corrective actions are implemented	◆ Reports issued ◆ Percentage of recommendations resolved within 6 months ◆ Percentage of recommendations closed within 1 year ◆ Percentage of significant recommendations closed within 1 year ◆ Percentage of missions receiving security inspections within last 5 years
Identifying vulnerabilities and recommending corrective actions with respect to information systems and security at overseas missions	◆ Missions receiving information security inspections

STRATEGIC GOAL #3
- Financial Management and Administrative Support -

Performance Goal Description	Performance Indicators
Identifying challenges and vulnerabilities, with recommendations to address them, for financial and administrative support programs and activities	◆ Reports issued ◆ Percentage of recommendations resolved within 6 months ◆ Percentage of recommendations closed within 1 year ◆ Percentage of significant recommendations closed within 1 year
Evaluating Department and BBG progress in measuring performance or implementing the President's Management Agenda, and recommending improvements, as appropriate	◆ Reports issued

STRATEGIC GOAL #4
- Accountability -

Performance Goal Description	Performance Indicators
Identifying potential monetary benefits as a result of audit and investigative recommendations	◆ Monetary value of cost savings, efficiencies, recoveries, and fines
Promoting awareness and adherence to standards of professional and ethical conduct and accountability; where necessary, conducting thorough and expeditious investigations of fraud, waste, abuse, and mismanagement	◆ Percentage of employee cases open within targeted ranges of days for cases open at end of fiscal year ◆ Percentage of employee cases closed within targeted ranges of days for cases closed during fiscal year

PERFORMANCE REPORTING IMPROVEMENTS

Improvements Implemented during FY 2003

Because OIG's FY 2003 Performance Report is presented in conjunction with the Department's Performance and Accountability Report, and to better demonstrate the alignment of our results with the mission of the Department, OIG has tried, to the extent possible, to mirror the presentation and format used by the Department. In doing so, OIG has adopted many of the major improvements made by the Department to enhance the usefulness of the report to its leadership and external stakeholders, as described below.

1) Results Presented in Concise Strategic Goal Chapters: OIG has adopted the format used by the Department to present the analysis of its FY 2003 performance in strategic goal chapters that provide a context for the results and link them to public benefits and resource investments.

Sub Section	Purpose
Public Benefit	A concise narrative of how the goal and its results contribute to improving the Department and benefit the American taxpayer.
Strategic Context	An easy-to-read table that depicts the various programs, lead offices, and external partners that contribute to accomplishment of a given goal.
Performance Summary	A graphic summary of the results achieved for each strategic goal, showing FY 2002 and FY 2003 results side-by-side.
Resources Invested	A summary of resources (dollars and people) devoted to pursuit of the goal, including a comparison of resources invested for FY 2002 and FY 2003.
Performance Results	A summary of performance results since FY 2000, together with the performance rating and a short impact statement pertaining to the FY 2003 result achieved.

2) Activities and Programs (A/Ps): This year, to provide greater clarity as to how specific indicators and performance targets relate to given policies or functions, the Department has defined the work or activities towards these goals in terms of specific, coherent functional and/or policy areas called Initiatives/Programs. This new element in the Department's strategic planning framework has provided a clearer basis for linking the results of OIG's work to Department goals, since OIG's work is directed at reviewing and evaluating this level of the Department's operations. For its own report, OIG has adopted a related element, Activities and Programs, to identify the offices and operations that contribute to achieving each of our goals.

3) Improved Performance Indicators and Targets: Recommendations resolved and implemented are the major outcome indicators used by OIG in measuring results on three of its four strategic goals. Recognizing, however, that all recommendations are not of equal importance in achieving our goals, we have added an indicator that focuses on closing our most significant recommendations related to each of these strategic goals. In addition, under Strategic Goals 1 and 2, we have eliminated the percentage of posts inspected as a separate goal. Instead, we have added it as an additional indicator under the first performance goal for each strategic goal, where it more properly belongs.

4) Performance Rating System: OIG has adopted the rating criteria developed and implemented by the Department last year to assist program managers with evaluating performance results compared to targets. In addition to providing clear criteria for rating performance on each goal, the rating system provides a common lexicon with the Department to describe our success in achieving our goals and desired outcomes.

5) Results Appendix: The overview and strategic goal chapters have been supplemented by an appendix showing the reports that were issued by OIG during FY 2003 in support of each of its strategic goals, as well as work that addresses the initiatives of the President's Management Agenda (PMA).

Improvements Planned for FY 2004

OIG will continue to work with the Department and the BBG to make our work more relevant and useful and to define better our goals and results in terms of their impact on the Department and the BBG. Further improvements to OIG's performance reporting will be made, to the extent necessary and appropriate, to address changes made by the Department and the BBG.

OIG has been without a congressionally confirmed Inspector General since January 2003, when the previous Inspector General moved to the new Department of Homeland Security. Anticipating that this vacancy may be addressed during FY 2004, OIG expects to reevaluate and revise its strategic and performance plans, goals, and measures, as appropriate, once a new Inspector General is nominated and confirmed.

MOST IMPORTANT RESULTS AND CONTINUING CHALLENGES

During FY 2003, actions taken by the Department and the BBG in response to OIG findings and recommendations resulted, inter alia, in changes that improved oversight of munitions exports and international broadcasting operations, reduced vulnerabilities to terrorism and other security threats, and improved internal controls and the accuracy and reliability of financial management and other information systems. OIG audit and investigative activities also improved accountability for Department and BBG employees, contractors, and grantees; identified potential cost benefits; and reduced fraud and other violations of law and regulation. Internally, we took actions to improve our strategic management of human resources and to identify the correct mix of qualified personnel to carry out our mission. Highlights of OIG's most important results and continuing challenges are shown by strategic goal in the table that follows.

MOST IMPORTANT RESULTS AND CONTINUING CHALLENGES

Results	Continuing Challenges
FOREIGN POLICY	
◆ The Department developed a phased-in plan to increase the number of end-use checks of munitions exports and will specify in cables to posts when a site visit is required as part of an end-use check.	◆ Current resources are inadequate to carry out the 5-year inspection schedule requested by senior management to ensure effective oversight of post and bureau operations.
◆ The Department is revising passport regulations and application forms to require children under 14 to appear personally when passport applications are executed on their behalf.	
◆ The Department has begun an extensive analysis of consular workloads worldwide to assess consular resource needs in the post-September 11, 2001, era.	◆ There is a need to balance effectively the scope, frequency, and size of post management inspections to ensure adequate oversight of missions and bureaus within limited resources.
◆ BBG took action to close the Tokyo news bureau of Radio Free Asia, allowing it to put limited resources to better use.	◆ There is a need to identify and attract personnel with needed specialty skills (political/economic, public diplomacy, executive management) to ensure effective oversight of the full range of post and bureau operations.
◆ The Office of Cuba Broadcasting (OCB) conducted a needs assessment of talent contractors and cancelled or reduced many of the contracts, allowing OCB to direct these contract dollars to other purposes, and established a quality assurance plan for future procurement actions.	
SECURITY	
◆ Responsibility for protecting sensitive compartmented information (SCI) has been transferred from the Bureau of Intelligence and Research to the Bureau of Diplomatic Security. The Department has implemented procedures to control SCI documents and ensure that vulnerabilities identified by technical surveillance countermeasure evaluations are corrected promptly. The Department has also strengthened internal procedures for adjudicating security violations and referring valid violations for possible disciplinary action.	◆ Security vulnerabilities persist, even when recommended security enhancements are promptly implemented, because of continual changes in worldwide threat conditions.
◆ The Department clarified guidance on actions needed to protect Top Secret documents stored on electronic media and for labeling and storing certain classified electronic media.	◆ There is a need to focus limited resources on security inspections of critical and high threat posts, creating the potential for increasing vulnerability of posts with lower threat levels.
◆ The Department is altering the design and construction of compound access control facilities to eliminate an OIG-identified vulnerability.	
◆ The Department has developed oversight guidance, briefed senior office managers, and designed program implementation tools to assist the Department's Unit Security Officers (USO) in implementing the Department's security program. Training sessions have been developed for USOs and Principal Unit Security Officers (PUSO), and as of October 2003, 29 PUSOs and 713 USOs had completed this training.	
FINANCIAL MANAGEMENT AND ADMINISTRATIVE SUPPORT	
◆ The Department developed written policies and procedures for bureau travel card program coordinators and cardholders, and has made them centrally available on an intranet site. It also developed guidelines for addressing individually-billed travel card accounts that are in the 60-days past due category and guidance on when and how to transfer cardholders' accounts from one bureau to another or to an overseas mission.	◆ Continuing growth in legislative mandates and other unanticipated requests seriously limits OIG's ability to conduct planned, unmandated work.
◆ The Department is significantly improving the accuracy, reliability, and availability of its financial information and focusing efforts to address several significant internal control and noncompliance issues, including systems security.	

MOST IMPORTANT RESULTS AND CONTINUING CHALLENGES

Results	Continuing Challenges

ACCOUNTABILITY

- OIG audits identified $5.3 million in questioned costs and $500,000 in funds that could be put to better use.

- Investigative recoveries totaled $7.3 million.

- The president of a company providing explosive ordnance detection dogs and handlers to the Department was sentenced to 78 months in prison and 36 months of supervised probation, and was fined $2,700 and ordered to make restitution of more than $708,000.

- A Nigerian national was convicted of passport fraud, sentenced to a year and a day in prison, and deported from the United States.

- New mandates for OIG to audit more than $700 million in 632(a) transfer grants will seriously limit OIG's ability to conduct other important nonmandated contract and grant audits.

- Resources restrictions increasingly limit OIG's ability to carry out any but priority investigations.

INTERNAL ENABLING GOALS

- OIG developed its first hiring plan for FYs 2003-04 and initiated work on its first workforce plan.

- OIG initiated a 100 percent review of all OIG position descriptions, to be completed in 2004.

- OIG must obtain and sustain the level of funding necessary to hire needed personnel, to provide required and adequate training, and to travel and carry out new initiatives in pursuit of OIG's goals and desired results.

- OIG must ensure timely issuance of OIG reports and other products while meeting changing priorities and requirements that may supersede planned activities.

OUR PERFORMANCE RATING SYSTEM

As part of our efforts to demonstrate better the relationship of our results to the Department's and provide a common frame of reference, OIG has adopted substantially the same rating system used by the Department to assess its FY 2003 performance results against established targets. As described in the Department's Performance and Accountability Report, this results rating methodology enables us to evaluate systematically progress toward the targets set in our FY 2003 Performance Report. Using a consistent set of criteria, as shown below, one of five performance ratings is assigned, reflecting the extent to which a given target was achieved. By using substantially the same criteria and rating system as the Department, we are able to establish a common basis for evaluating and communicating our success in meeting our goals.
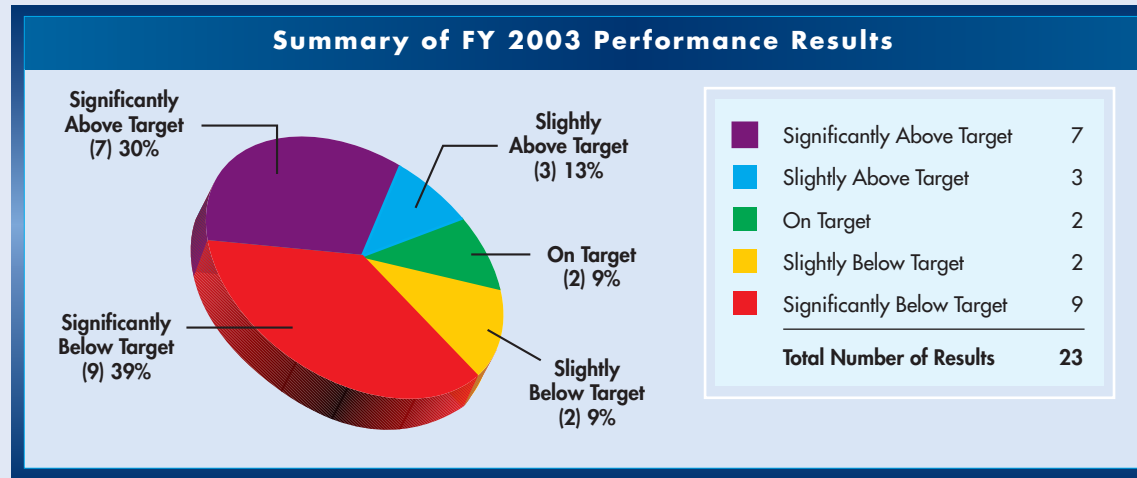
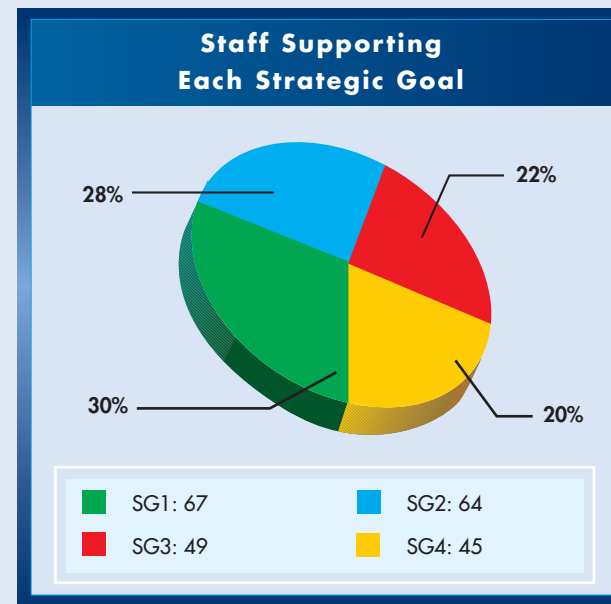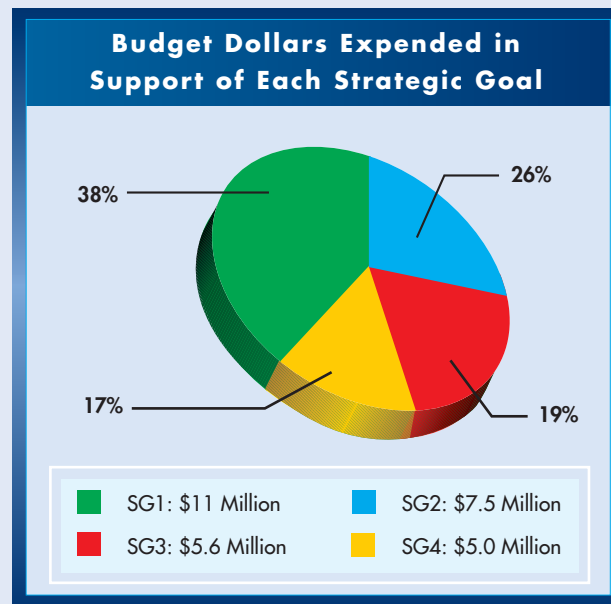| Performance Rating	Significantly Below Target	Slightly Below Target	On Target	Above Target	Significantly Above Target
Criteria	Parameters				
Target Status	Missed FY 2003 target by a significant margin	Missed FY 2003 target by a slight margin	Met FY 2003 target	Slightly exceeded FY 2003 target	Significantly exceeded FY 2003 target
Timeliness	Missed most critical deadlines	Missed a few critical deadlines	Met all critical deadlines	Met some critical deadlines early	Met most critical deadlines early
Impact on Future Operations	Significantly impairs program's ability to achieve future years' performance targets, requiring major downward revisions to future targets	Slightly impairs program's ability to achieve future years' performance targets, requiring minimal downward revisions to future targets	No change in program's ability to achieve future years' performance targets	Slightly improves program's ability to achieve future years' performance targets, requiring minimal upward increases to future targets	Significantly improves program's ability to achieve future years' performance targets, requiring major upward increases to future targets

SUMMARY OF FY 2003 PERFORMANCE RESULTS
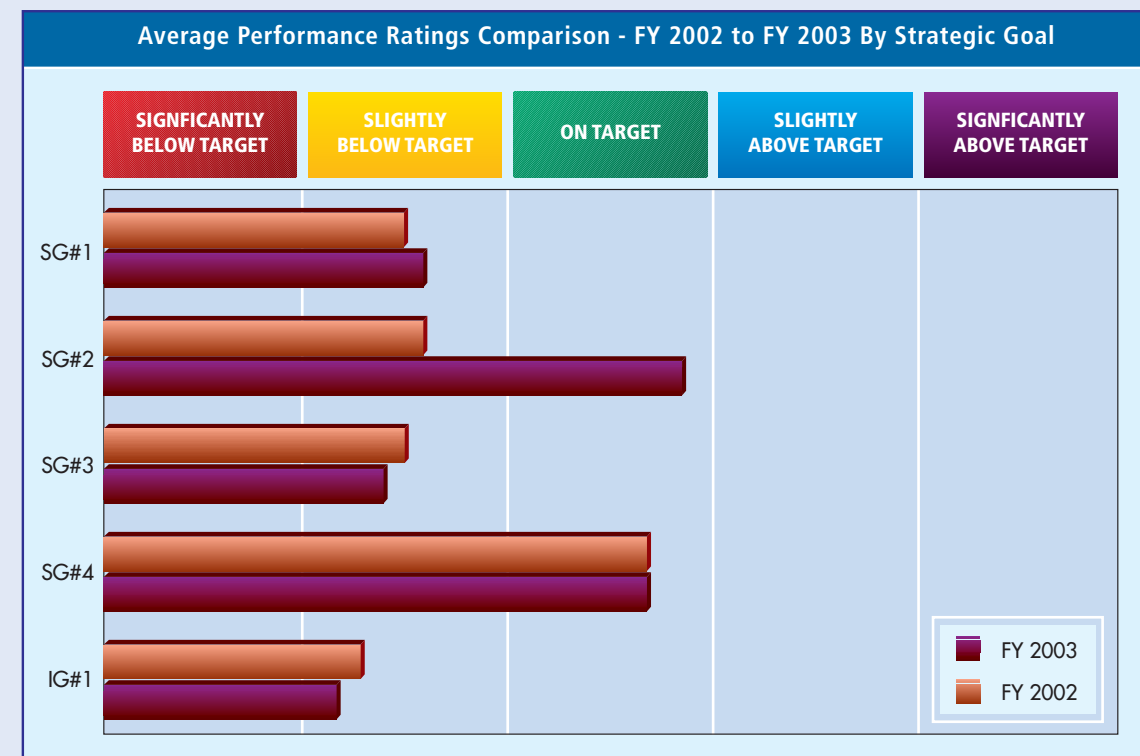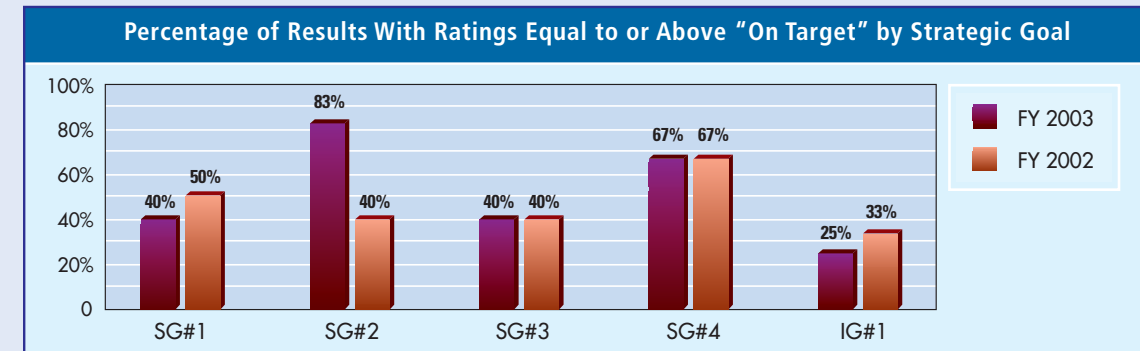
SUMMARY OF ALL RESULTS

The following pie chart shows the ratings distribution for all performance results reported in FY 2003. As shown below, 57 percent of the results were "on target" or above.

Summary of FY 2003 Performance Results

Significantly Above Target	7
Slightly Above Target	3
On Target	2
Slightly Below Target	2
Significantly Below Target	9
Total Number of Results	**23**

Significantly Above Target (7) 30%
Slightly Above Target (3) 13%
On Target (2) 9%
Slightly Below Target (2) 9%
Significantly Below Target (9) 39%

RESOURCES SUPPORTING STRATEGIC GOALS

Budget Dollars Expended in Support of Each Strategic Goal

38%
26%
17%
19%

SG1: $11 Million
SG2: $7.5 Million
SG3: $5.6 Million
SG4: $5.0 Million

Staff Supporting Each Strategic Goal

28%
22%
30%
20%

SG1: 67
SG2: 64
SG3: 49
SG4: 45

SUMMARY OF FY 2002 AND FY 2003 STRATEGIC GOAL RESULTS

Percentage of Results With Ratings Equal to or Above "On Target" by Strategic Goal

Legend: FY 2003, FY 2002

	SG#1	SG#2	SG#3	SG#4	IG#1
FY 2003	40%	83%	40%	67%	25%
FY 2002	50%	40%	40%	67%	33%

Average Performance Ratings Comparison - FY 2002 to FY 2003 By Strategic Goal

SIGNIFICANTLY BELOW TARGET	SLIGHTLY BELOW TARGET	ON TARGET	SLIGHTLY ABOVE TARGET	SIGNFICANTLY ABOVE TARGET

SG#1
SG#2
SG#3
SG#4
IG#1

Legend: FY 2003, FY 2002

Performance Data Quality and Limitations

The performance data in the FY 2003 report are the most complete and accurate data in any of the five performance reports issued under the Results Act and meet standards for reliability contained in Office of Management and Budget Circular A-11. The data come from five basic sources within OIG, as described below.

- OIG Compliance Analysis Tracking System (CATS)—nine measures relating to recommendations;

- OIG reports—eight measures relating to missions reviewed, programs evaluated, reports issued, and potential monetary benefits;

■ OIG Case Management System—two measures relating to investigative cases;

■ OIG personnel records—two measures relating to staff on hand and the attrition rate; and

■ Project Tracking System (PTS)—two measures relating to project length.

OIG's internal controls, verification, and validation efforts lead it to believe that the data from these sources is as accurate and reliable and as germane to OIG's goals as can be reasonably expected. Almost all of these data are traditional indicators of OIG results—recommendations resolved and closed, identified cost savings and funds put to better use, and reviews, assessments, and other efforts conducted vis-à-vis our agencies. Some of these tend to be surrogate or interim outcomes and outputs of our work with an indirect correlation to the ultimate results encompassed in our goals. Qualitative results and accomplishments in support of each strategic goal have been included to address, in part, this shortcoming in our indicators.

Changes to FY 2004 Goals, Indicators, and Targets

OIG's strategic and performance goals, indicators, and targets for FY 2004 remain largely unchanged. However, as a result of resource limitations that have made it unlikely that OIG will be able to perform post management inspections of all overseas posts and domestic bureaus at least once every five years, as previously planned, the two indicators relating to the percentage of posts receiving post management and security inspections within a five-year period have been replaced by indicators of the number of posts receiving such inspections each year. In addition, a decision, taken at the end of FY 2003, to integrate OIG's post management, security, and information inspections into a single process and to include the information technology issues in the post management and security inspection reports, rather than as a separate report, has resulted in eliminating the second security performance goal as a separate goal and indicator. Changes to some of OIG's FY 2004 and subsequent-year targets have also been made, based on FY 2003 and trend results for the past five years.

OIG expects to reevaluate and revise its strategic and performance plans, goals, and indicators, as appropriate, once a new Inspector General is nominated and confirmed.

Summary Performance Goal Results

The table below provides performance results for each of OIG's FY 2003 annual performance goals. The table below provides performance results for each of OIG's FY 2003 annual performance goals. The inverted black triangle represents the average of all performance ratings assigned to results associated with the performance goal. The numbers below the rating scale show the number of indicators or results that met each rating level[1]. For comparison purposes, the FY 2002 performance rating average is represented by the inverted gray triangle.

Strategic Goal	Performance Goal (Total Number of Reported Results)	Average Performance Rating and Number of Reported Results				
		Significantly Below Target	Slightly Below Target	On Target	Above Target	Significantly Above Target
The Department and the BBG effectively, efficiently, and economically advance the foreign policy interests of the United States	Identify opportunities for improving the management and operations of overseas missions, domestic bureaus, and international broadcasting activities through post management and thematic inspections, audits, and program evaluations. (4 results)	2	1			1
	Evaluate at least nine U.S. government operations and programs with foreign policy implications and recommend actions necessary to remove or overcome them. (1 result)				1	
The Department and the BBG adequately protect the people, information, and facilities under their control in the United States and abroad	Assess the adequacy of Department and BBG security for their personnel, property, and information at overseas missions and domestic locations, and ensure that, as appropriate, necessary corrective actions are implemented. (4 results)			2	1	2
	Identify vulnerabilities and recommend corrective actions with respect to information systems and security at no fewer than 15 overseas missions. (1 result)	1				
The Department and the BBG have the necessary financial and support systems and controls to meet legal and operational requirements	Identify challenges and vulnerabilities, with recommendations to address them, for at least 21 Department financial and administrative support programs and activities. (4 results)	2	1	1		
	Evaluate Department and BBG progress in measuring performance or implementing the President's Management Agenda, and recommend improvements, as appropriate. (1 result)				1	
The Department and the BBG ensure accountability and prevent or eliminate fraud, waste, abuse, and mismanagement in programs and operations	Identify a minimum of $7.8 million in potential monetary benefits as a result of audit and investigative recommendations. (1 result)				1	
	Promote awareness and adherence to standards of professional and ethical conduct and accountability; where necessary, conduct thorough and expeditious investigations of fraud, waste, abuse, and mismanagement. (2 results)	1				1
Internal Enabling Goals	Attract and retain employees with the requisite professional skills and expertise in the areas of foreign policy, financial auditing, information technology, security, program evaluation, investigations, and other areas of need. (2 results)		1			1
	Issue a final report or other product within six months of starting a project. (2 results)	2				

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[1] The chart depicts data for "reported results" (i.e., targets for which data were available). In some instances, for a given annual performance goal, the number of reported results might be less than the number of targets because data was unavailable to produce a results rating.
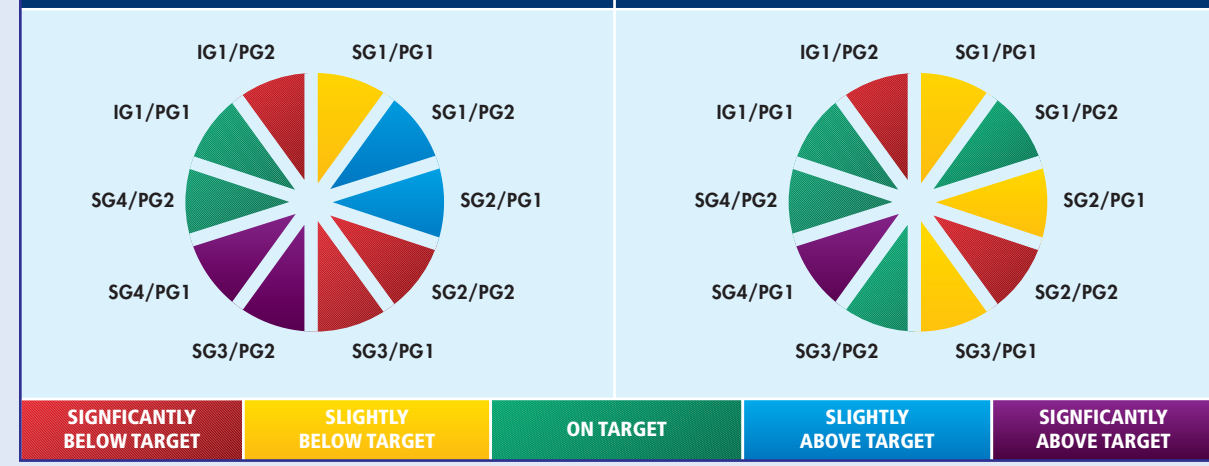
PERFORMANCE SECTION

OIG STRATEGIC AND PERFORMANCE GOALS AND FY 2003 RESULTS

Strategic Goal	Performance Goals	Measure	Target	Actual[1]	FY in which target will be met
The Department and the BBG effectively, efficiently, and economically advance the foreign policy interests of the United States.	Identify opportunities for improving the management and operations of overseas missions, domestic bureaus, and international broadcasting activities through post management and thematic inspections, audits, and program evaluations.	% of Recs. Resolved in 6 Months	85%	72% (SB) ▲	FY 2005
		% of Recs. Closed in 1 Year	85%	78% (SB) ↔	FY 2005
		% of Significant Recs. Closed in 1 Year	50%	63% (SA) ❑	
		% of Missions Inspected Within last 5 Years	79%	78% (B) ▲	Indicator replaced so target N/A
	Evaluate at least nine U.S. government operations and programs with foreign policy implications, especially those under Chief of Mission authority or related to international broadcasting and the free flow of information around the world; identify obstacles to Chief of Mission, Department, or BBG oversight and coordination of the operations and programs; and recommend actions necessary to remove or overcome them.	Reports Issued	9	10 (A) ▲	
The Department and the BBG adequately protect the people, information, and facilities under their control in the United States and abroad.	Assess the adequacy of Department and BBG security for their personnel, property, and information at overseas missions and domestic locations, and ensure that, as appropriate, necessary corrective actions are implemented.	Reports Issued	7	7 (O) ↔	
		% of Recs. Resolved in 6 Months	84%	90% (SA) ▲	
		% of Recs. Closed in 1 year	67%	68% (A) ▲	
		% of Significant Recs. Closed in 1 Year	50%	92% (SA) ❑	
		% of Missions Security Inspected within last 5 Years	90%	90% (O) ▲	Indicator replaced so target N/A
	Identify vulnerabilities and recommend corrective actions with respect to information security and systems at no fewer than 15 overseas missions.	Missions IT Inspected and Reports Issued	15	6 (SB) ▼	Indicator replaced so target N/A
The Department and the BBG have the necessary financial and support systems and controls to meet legal and operational requirements.	Identify challenges and vulnerabilities, with recommendations to address them, for at least 21 Department financial and administrative support programs and activities.	Reports Issued	21	21 (O) ↔	
		% of Recs. Resolved in 6 Months	72%	67% (B) ▲	FY 2004
		% of Recs. Closed in 1 Year	72%	49% (SB) ▼	FY 2004
		% of Significant Recs. Closed in 1 Year	50%	38% (SB) ❑	FY 2004
	Evaluate Department and BBG progress in measuring performance or implementing the President's Management Agenda, and recommend improvements, as appropriate.	Reports Issued	12	16 (SA) ▲	
The Department and the BBG ensure accountability and prevent or eliminate fraud, waste, abuse, and mismanagement in programs and operations.	Identify a minimum of $7.8 million in potential monetary benefits as a result of audit and investigative recommendations to identify fraud, waste, abuse, and mismanagement.	$ Value of Cost Savings, Efficiencies, Recoveries, and Fines	$7.8 million	$13 million (SA) ▼	
	Promote awareness and adherence to standards of professional and ethical conduct and accountability; where necessary, conduct thorough and expeditious investigations of fraud, waste, abuse, and mismanagement.	% of Cases Open less than 200 Days	60%	84% (SA) ▲	
		% of Cases Closed within 200 Days	80%	72% (SB) ▼	FY 2004
Internal Enabling Goal	Attract and retain employees with the requisite professional skills and expertise in the areas of foreign policy, financial auditing, information technology, security, program evaluation, investigations, and other areas of need.	Staff on Hand	218	225 (SA) ▲	
		Attrition Rate	11%	13% (SB)[2] ▼	FY 2005
	Issue a final report or other product within 183 days of starting a project.	Project Length	183	253 (SB)[3] ▼	FY 2004
		% of Projects Completed in 183 Days	65%	28% (SB) ▼	FY 2004

[1] (SA) = Significantly Above; (A) = Above; (O) = On Target; (B) = Below; (SB) = Significantly Below.
Results in FY 2003 compared with those of FY 2002: ▲ = Better; ▼ = Worse; ↔ = the Same; ❑ = N/A.
[2] In this case, having a result higher than the target is undesirable and is noted as "signifcantly below the target" for consistency in indicating poor results.
[3] Ibid.

OIG STRATEGIC AND PERFORMANCE GOALS

COMPARISON OF FY 2002 AND FY 2003 PERFORMANCE GOAL RATINGS

FY 2003 Performance Rating By Performance Goal

IG1/PG2 SG1/PG1
IG1/PG1 SG1/PG2
SG4/PG2 SG2/PG1
SG4/PG1 SG2/PG2
SG3/PG2 SG3/PG1

FY 2002 Performance Rating By Performance Goal

IG1/PG2 SG1/PG1
IG1/PG1 SG1/PG2
SG4/PG2 SG2/PG1
SG4/PG1 SG2/PG2
SG3/PG2 SG3/PG1

SIGNIFICANTLY BELOW TARGET	SLIGHTLY BELOW TARGET	ON TARGET	SLIGHTLY ABOVE TARGET	SIGNFICANTLY ABOVE TARGET

STRATEGIC GOAL 1: FOREIGN POLICY

*The Department and the BBG effectively, efficiently, and economically advance
the foreign policy interests of the United States*

I. Public Benefit

The Department's success in achieving U.S. foreign policy goals is influenced by the effective management and efficient and economical operation of overseas missions, domestic bureaus, and international broadcasting entities. OIG is mandated by the Foreign Service Act of 1980, as amended, to assess the effectiveness of foreign policy implementation. Through a program of post and bureau management inspections, OIG evaluates whether policy goals and objectives are being achieved, U.S. interests are effectively represented, and posts are operating in consonance with U.S. foreign policy. Inspections also review whether resources are being used and managed effectively, efficiently, and economically; activities and operations are being administered in conformance with law and regulation; and management controls are in place to ensure quality performance and to reduce the likelihood of mismanagement. Inspections identify, and make recommendations to correct, vulnerabilities and inefficiencies, thereby improving the ability of posts and bureaus to support the Department's mission. OIG also reviews and evaluates operations and programs with foreign policy implications, including consular operations, export controls, border security, and international broadcasting.

OIG inspections provide assurance to the Secretary, the BBG, Congress, and American citizens that Department operations and facilities are efficiently, effectively, and economically managed and that senior managers are fulfilling their responsibilities capably. In addition, inspector's evaluation reports of ambassadors and deputy chiefs of mission at overseas posts, and of assistant secretaries and deputy assistant secretaries in domestic bureaus, are used by the Secretary and Congress to evaluate the performance of senior Department managers as a basis for future appointments, promotions, and awards.
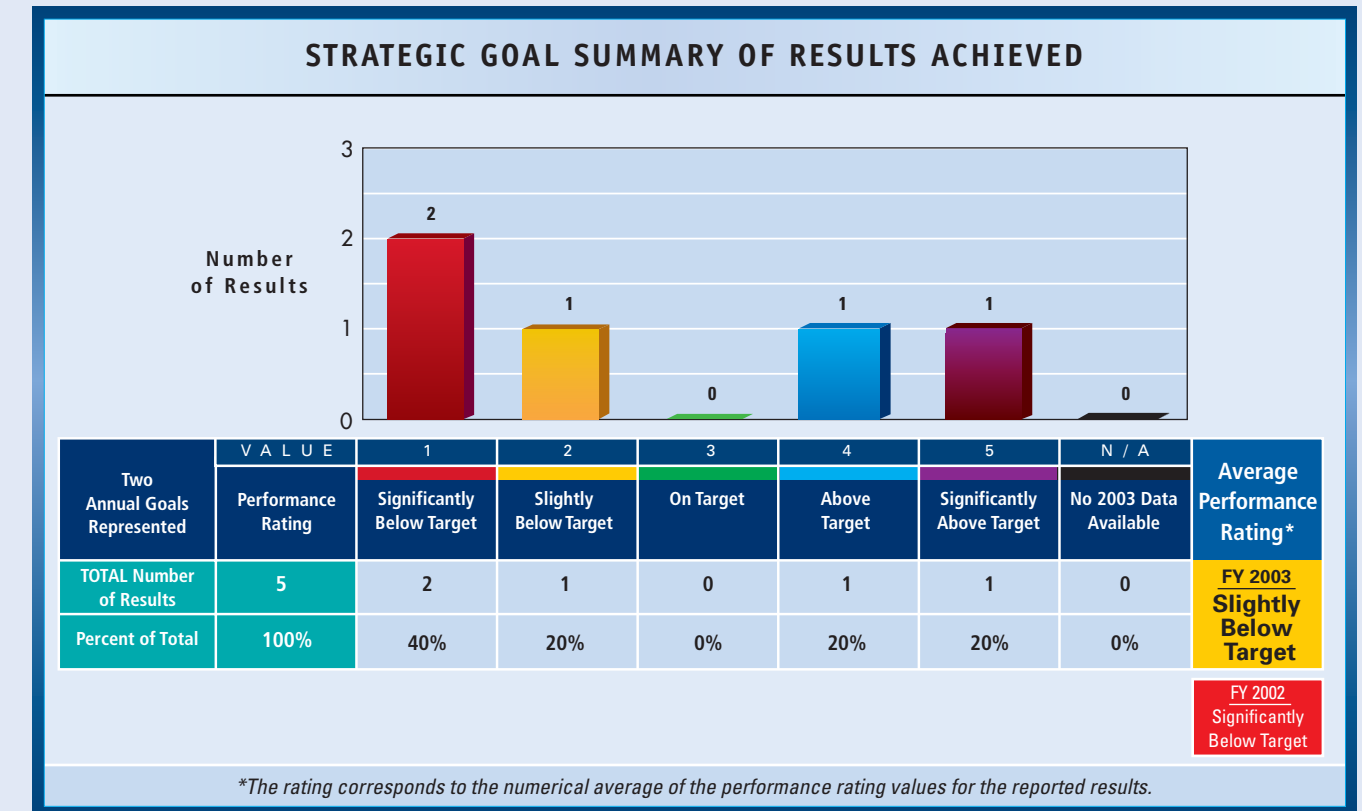
II. Strategic Context

This strategic goal is supported by two performance goals. Shown below are the major activities/programs, resources, offices, and partners that contribute to accomplishment of the strategic goal.
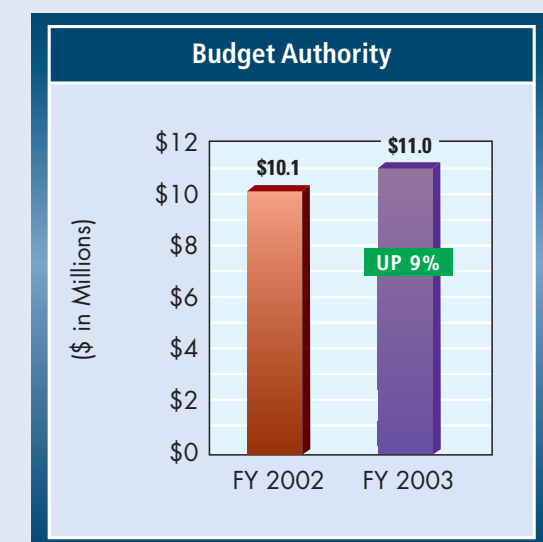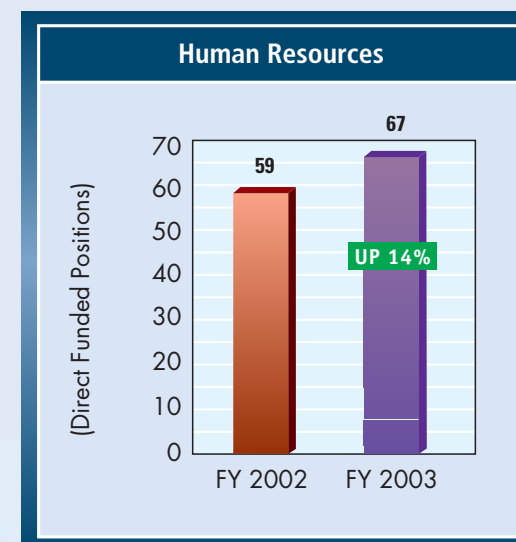
Strategic Goal	Performance Goal	Activity/ Program	Lead Office(s)	External Partners
Foreign Policy	**Identify opportunities to improve the management and operations of overseas missions, domestic bureaus, and international broadcasting**	Mission, bureau, and international broadcasting inspections	ISP & IBO	N/A
	Evaluate operations and programs with foreign policy implications; identify obstacles and recommend actions to overcome them	Inspections, audits, evaluations, and other reviews of foreign policy programs	ISP, AUD, and IBO	N/A

III. Performance Summary

The chart below shows the performance rating distribution of the FY 2003 results for the Foreign Policy strategic goal. Also shown is a comparison between the FY 2003 and FY 2002 average performance ratings for the goal. FY 2003 results produced a rating of "slightly below target," an improvement over last year's "significantly below target" rating.

STRATEGIC GOAL SUMMARY OF RESULTS ACHIEVED

Number of Results

Two Annual Goals Represented	VALUE	1 Significantly Below Target	2 Slightly Below Target	3 On Target	4 Above Target	5 Significantly Above Target	N/A No 2003 Data Available	Average Performance Rating*
TOTAL Number of Results	**5**	2	1	0	1	1	0	**FY 2003** **Slightly Below Target**
Percent of Total	**100%**	40%	20%	0%	20%	20%	0%	

FY 2002 Significantly Below Target

*The rating corresponds to the numerical average of the performance rating values for the reported results.

IV. Resources Invested

Human Resources

(Direct Funded Positions)

FY 2002: 59
FY 2003: 67 — UP 14%

Budget Authority

($ in Millions)

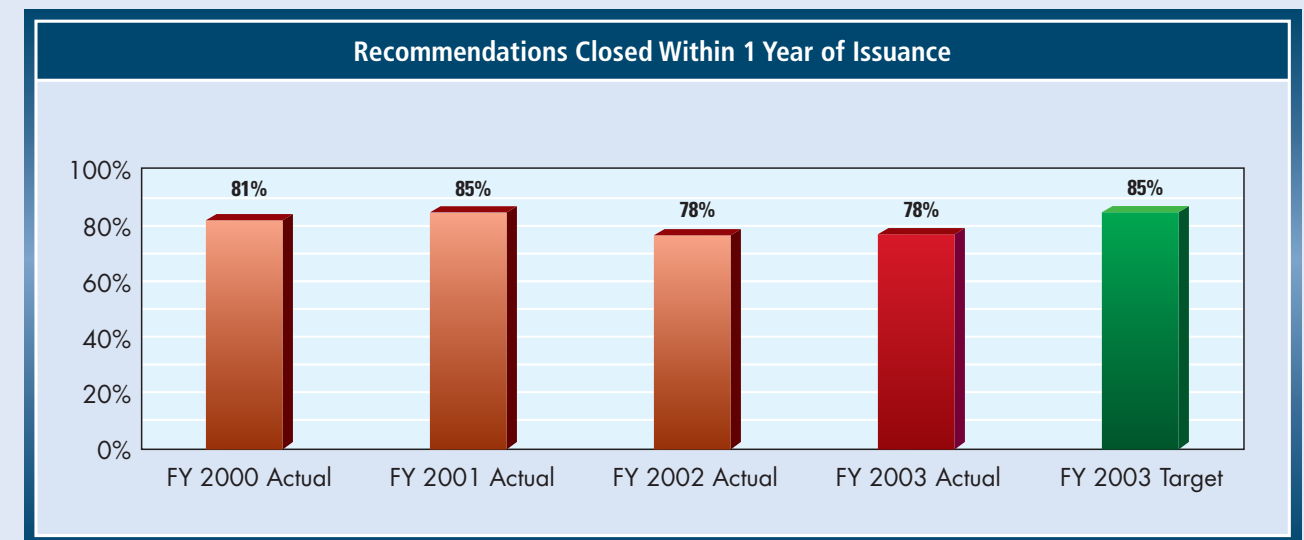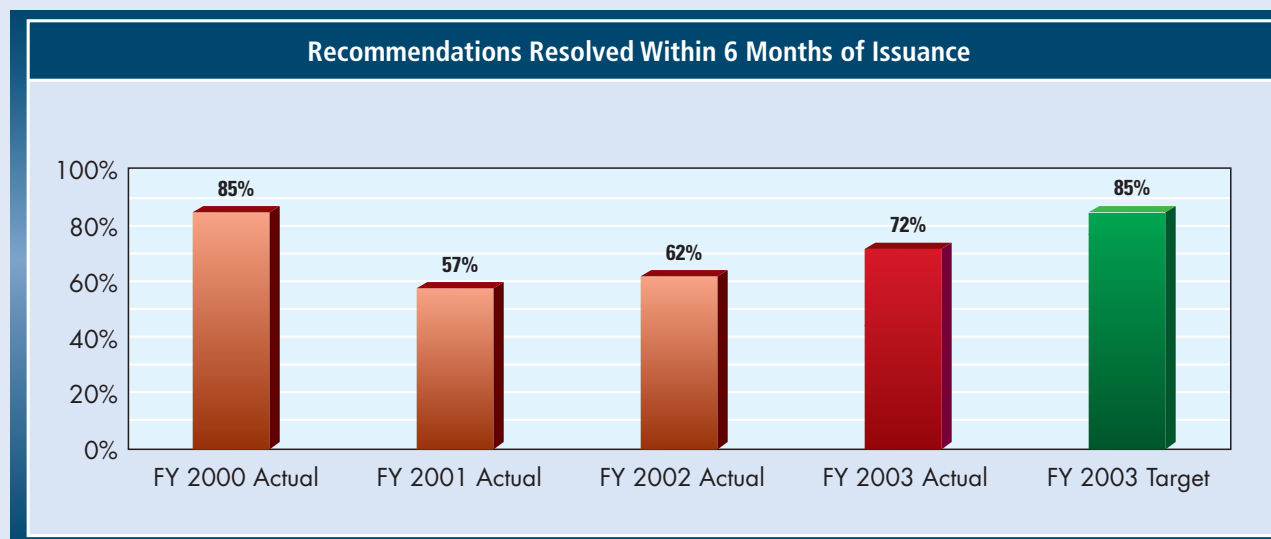FY 2002: $10.1
FY 2003: $11.0 — UP 9%

V. Performance Results

PERFORMANCE GOAL 1
Identify opportunities for improving the management and operations of overseas missions, domestic bureaus, and international broadcasting activities

A/P #1: MISSION, BUREAU, AND INTERNATIONAL BROADCASTING INSPECTIONS

Improve operations through post management inspections, audits, and reviews

INTERMEDIATE OUTCOME INDICATOR

Indicator #1: Percentage of recommendations resolved within 6 months of issuance

RESULTS HISTORY		
2000	85%	
2001	57%	
2002	62%	

FY 2003 DATA		
2003 Results	72%	
Target	85%	
Rating	■	Significantly Below Target
Impact	The result indicates that either management has some disagreement with OIG's findings or recommendations or that the resolution process between management and OIG has not moved quickly enough, thus decreasing the likelihood that identified vulnerabilities and deficiencies will be corrected in a timely manner.	
Other Issues	Performance was significantly below the targeted level due largely to the need to shift resources supporting those efforts to other important and unanticipated work. These resources have been reallocated to these efforts in FY 2004. We expect to achieve this target level in FY 2005. The FY 2004 target will be reduced to 80% rather than the previously planned target of 87%.	

Recommendations Resolved Within 6 Months of Issuance

A/P #1: MISSION, BUREAU, AND INTERNATIONAL BROADCASTING INSPECTIONS *Continued*

Improve operations through post management inspections, audits, and reviews

OUTCOME INDICATOR

Indicator #2: Percentage of recommendations closed within 1 year of issuance

RESULTS HISTORY		
2000	81%	
2001	85%	
2002	78%	

FY 2003 DATA		
2003 Results	78%	
Target	85%	
Rating	■	Significantly Below Target
Impact	Implementation and closure of OIG post management recommendations reduce or eliminate identified vulnerabilities and deficiencies. The result indicates that management may have disagreed with either the findings or the recommendations, that the resolution process between management and OIG did not move quickly enough, or that the corrective action took longer than anticipated to implement. As a result, OIG-identified vulnerabilities and deficiencies are not being addressed in a timely manner, continuing the inefficiencies or ineffectiveness that OIG found during the inspections.	
Other Issues	Performance was significantly below the targeted level largely because of the need to shift resources supporting those efforts to other important and unanticipated work. These resources have been reallocated to these efforts in FY 2004. We expect to achieve this target level in FY 2005. The FY 2004 target will be reduced to 80% rather than the previously planned target of 87%.	

Recommendations Closed Within 1 Year of Issuance

A/P #1: MISSION, BUREAU, AND INTERNATIONAL BROADCASTING INSPECTION *Continued*

Improve operations through post management inspections, audits, and reviews

OUTCOME INDICATOR

Indicator #3: Percentage of significant recommendations closed within 1 year of issuance

RESULTS HISTORY		
	2000	N/A
	2001	N/A
	2002	N/A

FY 2003 DATA		
	2003 Results	63%
	Target	50%
	Rating	■ Significantly Above Target
	Impact	Implementation and closure of OIG post management recommendations reduce or eliminate identified vulnerabilities and deficiencies. The result indicates that Department and BBG management have taken corrective action on almost two-thirds of OIG's most significant recommendations, thus correcting the vulnerabilities identified in a timely manner. This should result in more efficient and effective operations at the entities inspected.
	Other Issues	Based on the results of FY 2003, the FY 2004 target level will be raised from 60% to 65%.

Significant Recommendations Closed Within 1 Year of Issuance

A/P #1: MISSION, BUREAU, AND INTERNATIONAL BROADCASTING INSPECTIONS *Continued*

Improve operations through post management inspections, audits, and reviews

OUTPUT INDICATOR

Indicator #4: Percentage of missions inspected within the last 5 years

RESULTS HISTORY		
	2000	66%
	2001	64%
	2002	70%

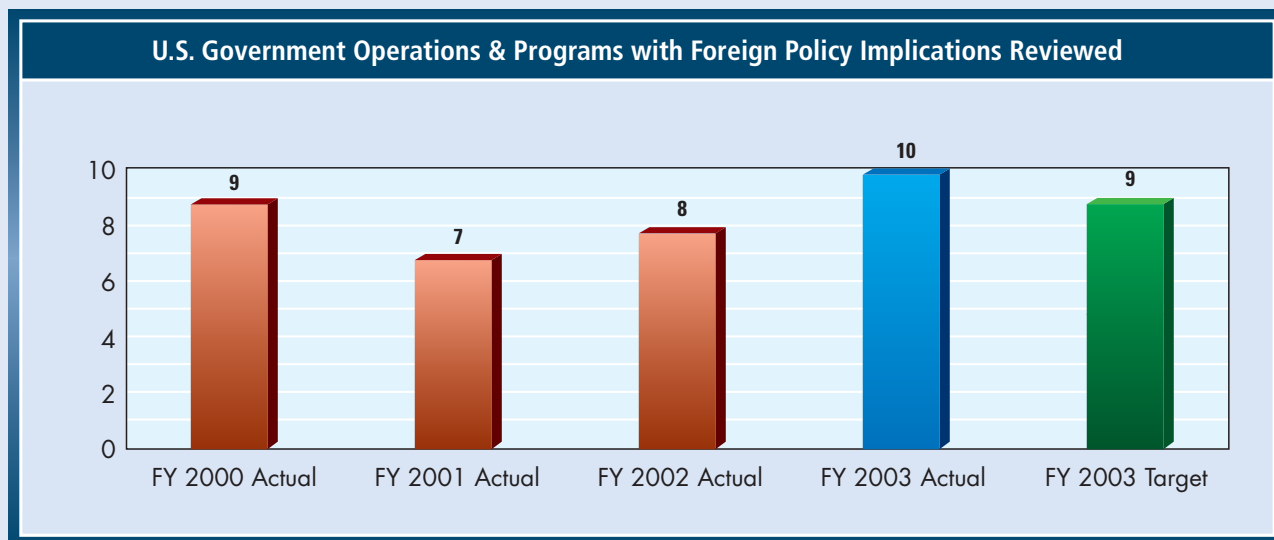| FY 2003 DATA		
	2003 Results	78%
	Target	79%
	Rating	▨ Slightly Below Target
	Impact	OIG post management inspections provide a systematic and independent evaluation of the operations and management of these entities. This result indicates that approximately two fewer missions received inspections in the past 5 years than planned, leaving them potentially vulnerable to management and operation problems that might have otherwise been discovered and corrected.
	Other Issues	Performance was slightly below the targeted level due largely to the need to shift resources supporting those efforts to other important and unanticipated work, resulting in the cancellation of several planned inspections. In FY 2004, OIG began implementing a new integrated inspection process that combined post management, security, and information technology inspections. Consequently, for FY 2004, this indicator for mission inspections has been changed from a cumulative 5-year percentage to a target number of inspections per year, reflecting resource constraints and a waiver to the 5-year requirement.

Percentage of Missions Inspected Within Last 5 Years
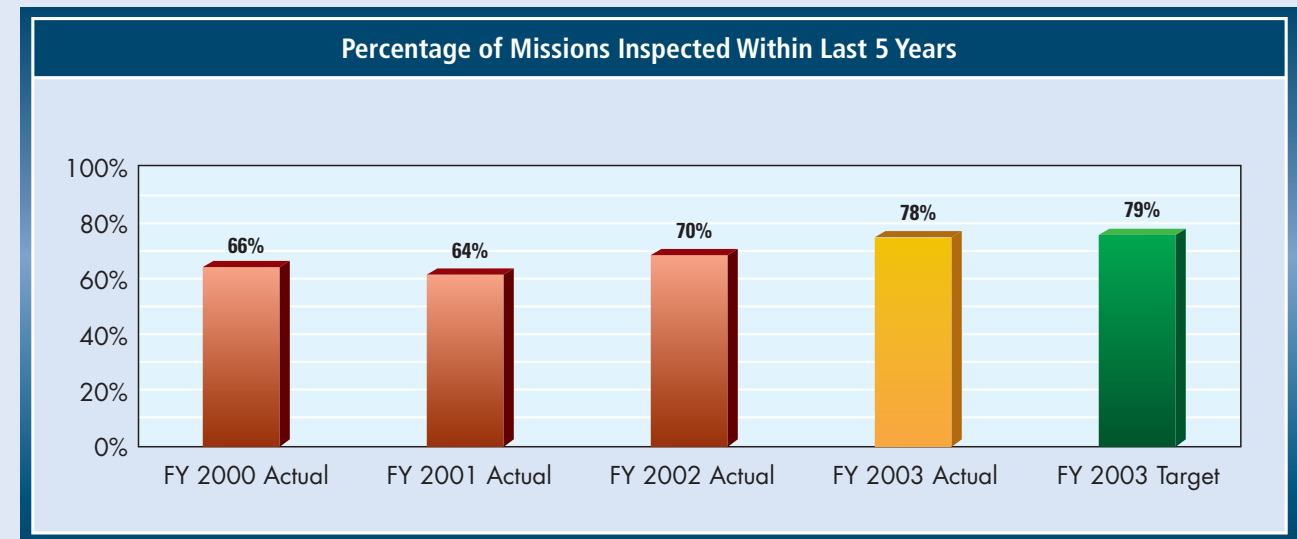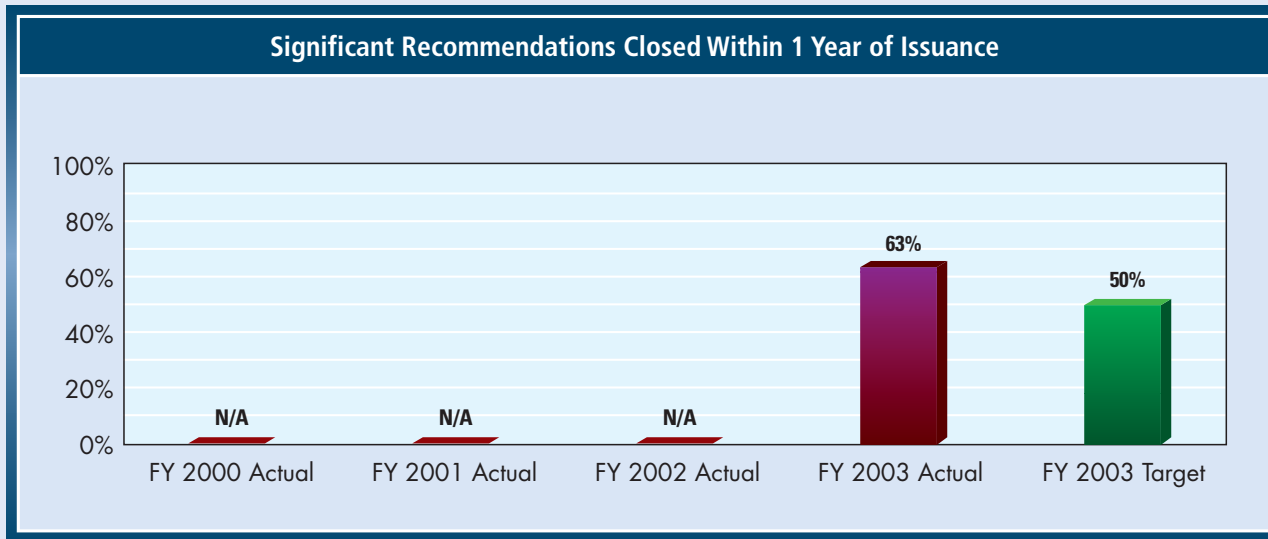
PERFORMANCE GOAL 2

Evaluate operations and programs with foreign policy implications, identify obstacles, and recommend actions to overcome them

A/P #2: INSPECTIONS, AUDITS, EVALUATIONS AND OTHER REVIEWS OF FOREIGN POLICY PROGRAMS

Evaluate programs and operations with foreign policy implications

OUTPUT INDICATOR

Indicator #5: Number of U.S. government operations and programs with foreign policy implications evaluated

RESULTS HISTORY		
2000	9	
2001	7	
2002	8	

FY 2003 DATA		
2003 Results	10	
Target	9	
Rating	■	Slightly Above Target
Impact	OIG audits, inspections, and other reviews of Department and BBG programs and operations relating to issues such as visas, passports, border security, and international broadcasting provide the Department, BBG, the Congress and the public with objective assessments of the efficiency and/or effectiveness of these programs and operations; where appropriate, identify possible vulnerabilities or inefficiencies, and make recommendations necessary to correct them.	

U.S. Government Operations & Programs with Foreign Policy Implications Reviewed

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2003 Target
	9	7	8	10	9

STRATEGIC GOAL 2: SECURITY

The Department and the BBG adequately protect the people, information, and facilities under their control in the United States and abroad

I. Public Benefit

With the continuing threat of terrorism and regional instability in the post-9/11 environment, the security of U.S. personnel, facilities, and information remains an issue of overriding importance in terms of both personal and national security and the billions of dollars appropriated annually to protect them. OIG security inspections and audits play an essential role in identifying and making recommendations to address security vulnerabilities that could compromise national security and threaten the safety and well-being of U.S. personnel and facilities domestically and abroad. During FY 2003, OIG conducted a program of full and limited scope security inspections at 36 overseas missions, as well as compliance follow-up reviews of four previously inspected posts. OIG also implemented a new program of information security inspection evaluations, which were pilot tested in FY 2002, to provide in-depth reviews of, and to identify and correct vulnerabilities in, of the security of Department and BBG information systems.
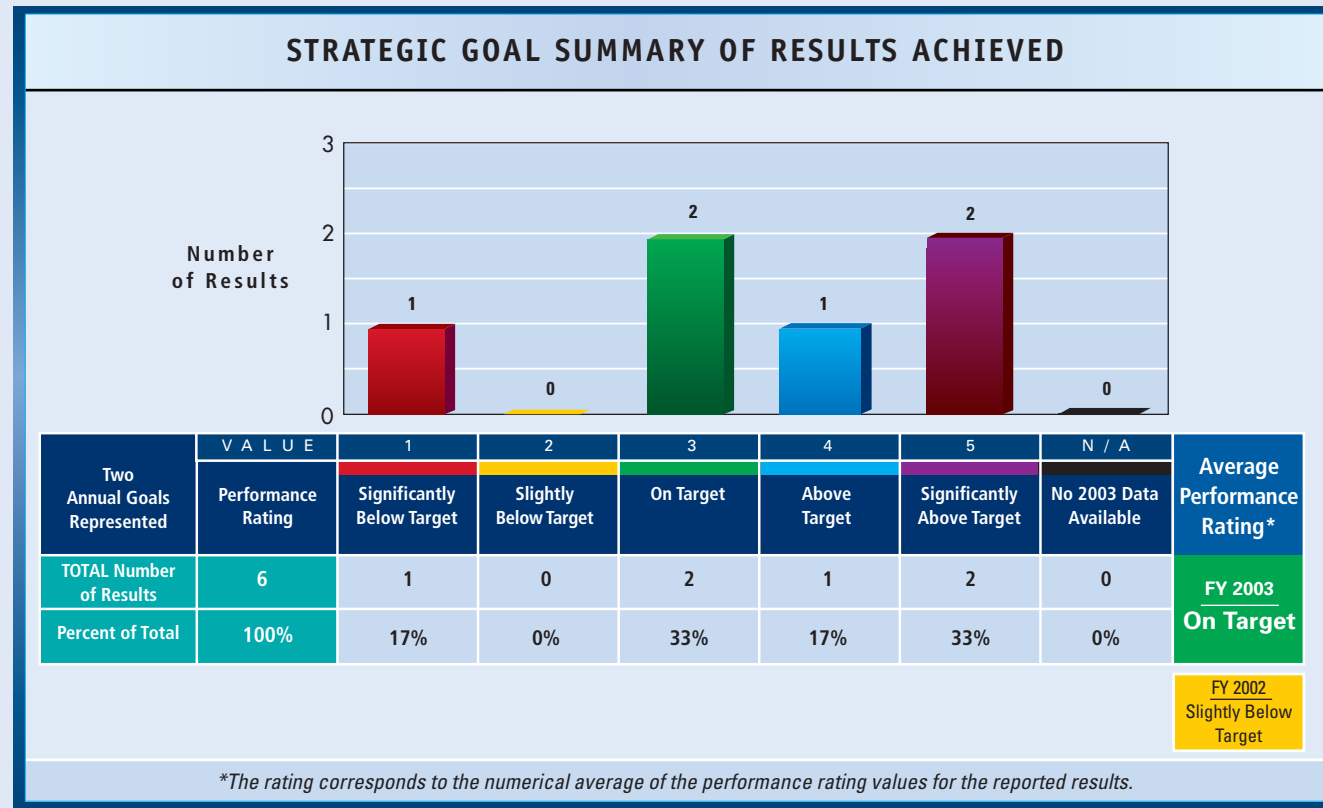
II. Strategic Context

This strategic goal is supported by two performance goals. Shown below are the major activities/programs, resources, bureaus, and partners that contribute to accomplishment of the strategic goal.

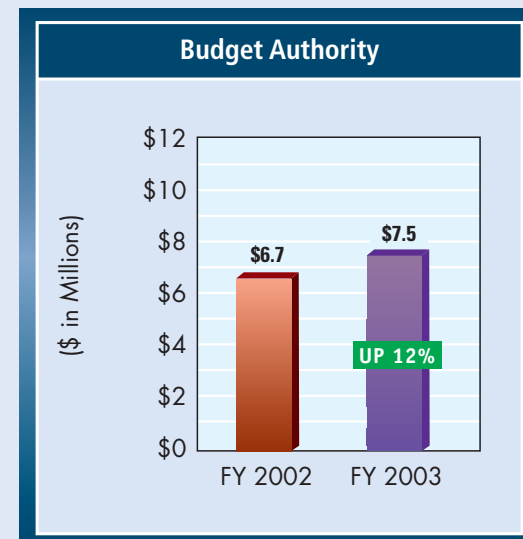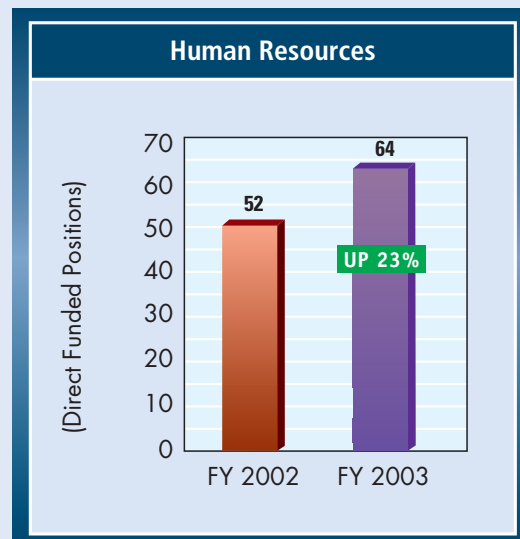| Strategic Goal	Performance Goal (Short Title)	Activity/ Program	Lead Office(s)	External Partners
Security	Assess the adequacy of security for people, information, and property, and recommend corrective actions, as necessary	Mission and transmission station security audits and inspections	SIO & AUD	N/A
	Identify vulnerabilities and recommend corrective actions with respect to information systems and security at overseas missions	Information security audits and inspections	IT	N/A

III. Performance Summary

The chart below shows the performance rating distribution of the FY 2003 results for the Security strategic goal. Also shown is a comparison between the FY 2003 and FY 2002 average performance ratings for the goal. FY 2003 results produced a rating of "on target," an improvement over last year's "slightly below target" rating.

STRATEGIC GOAL SUMMARY OF RESULTS ACHIEVED

Two Annual Goals Represented	VALUE / Performance Rating	1 Significantly Below Target	2 Slightly Below Target	3 On Target	4 Above Target	5 Significantly Above Target	N/A No 2003 Data Available	Average Performance Rating*
TOTAL Number of Results	6	1	0	2	1	2	0	FY 2003 On Target
Percent of Total	100%	17%	0%	33%	17%	33%	0%	
								FY 2002 Slightly Below Target

The rating corresponds to the numerical average of the performance rating values for the reported results.

IV. Resources Invested

Human Resources

(Direct Funded Positions)

52 FY 2002 — 64 FY 2003 — UP 23%

Budget Authority

($ in Millions)
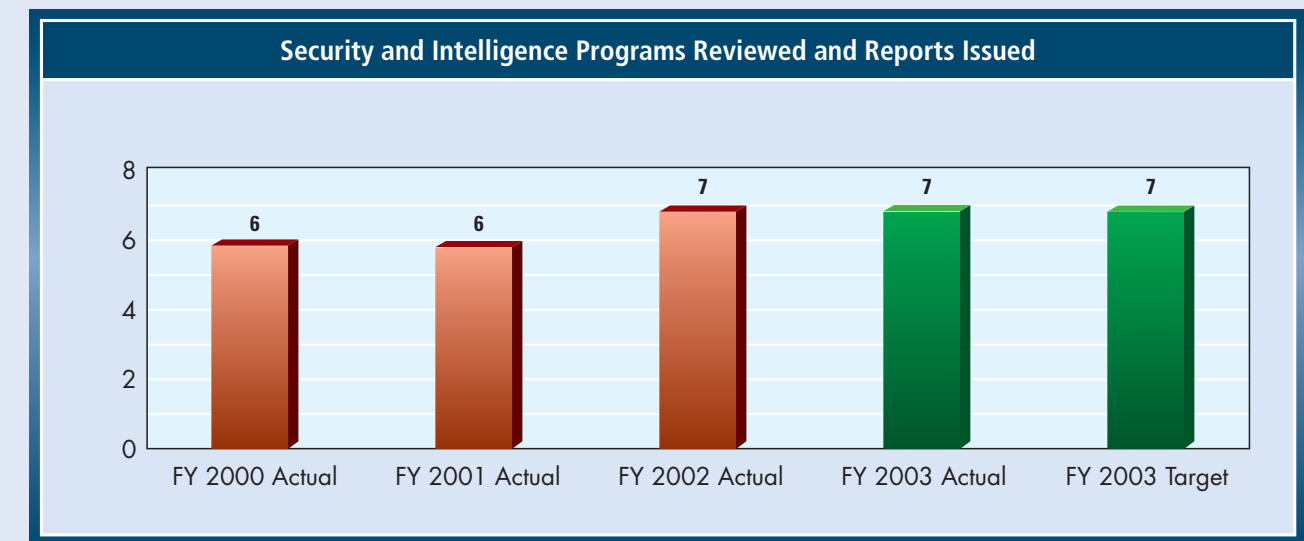
$6.7 FY 2002 — $7.5 FY 2003 — UP 12%

V. Performance Results
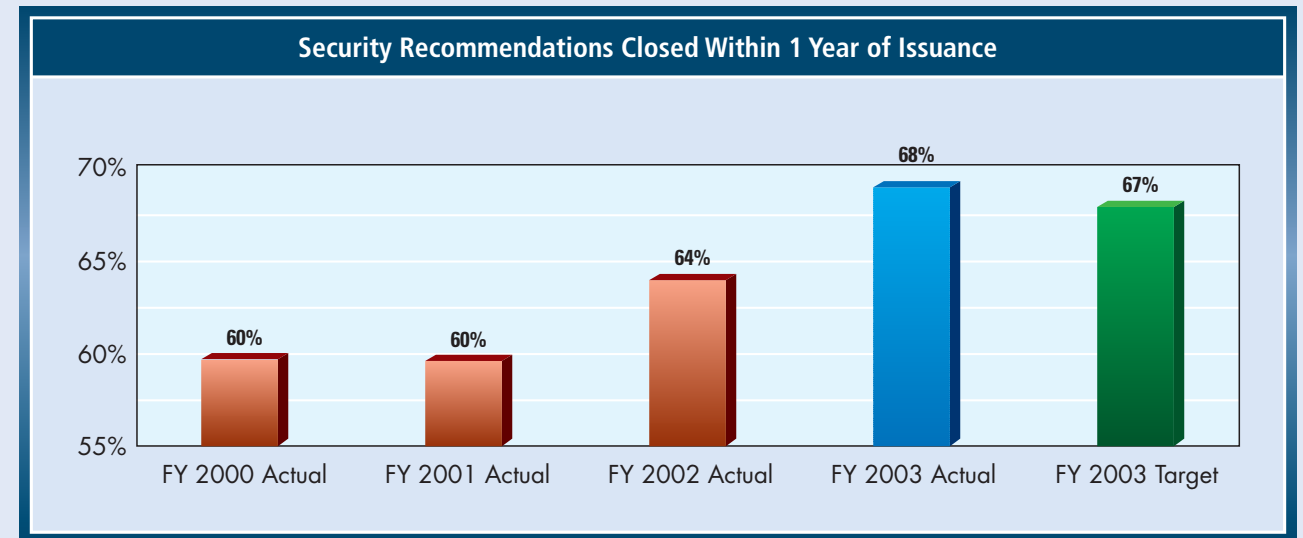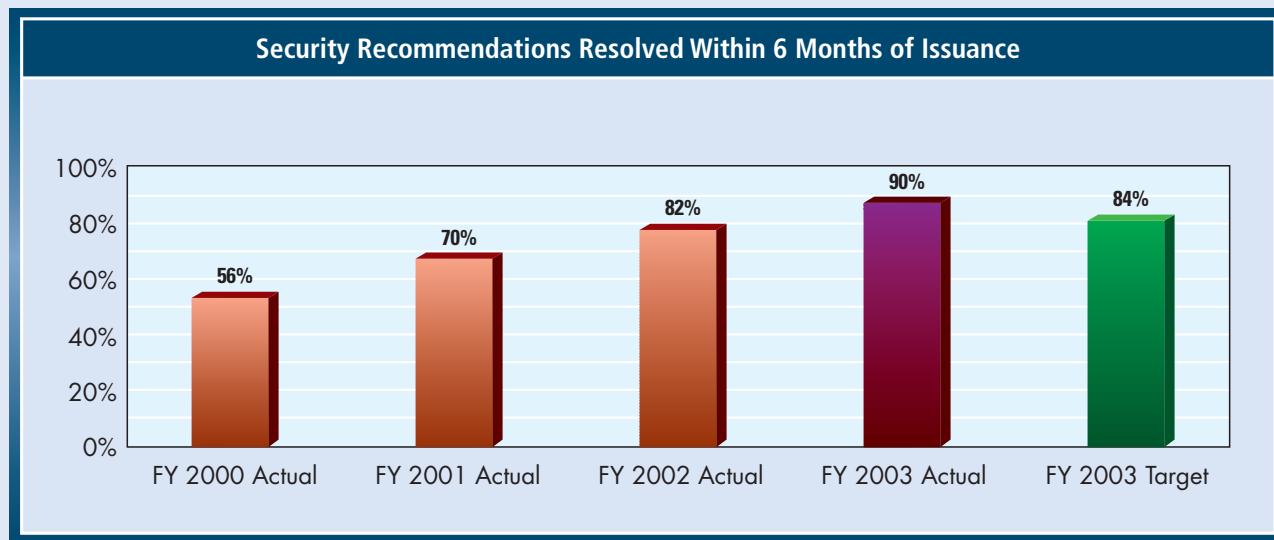
PERFORMANCE GOAL 1

Assess the adequacy of security for people, information, and property, and recommend corrective actions, as necessary

A/P #1: MISSION AND TRANSMISSION STATION SECURITY AUDITS AND INSPECTIONS
Protect people, information, and facilities at home and abroad
OUTPUT INDICATOR
Indicator #1: Programs reviewed and reports issued

RESULTS HISTORY		
2000	6
2001	6
2002	7

| FY 2003 DATA		
2003 Results	7
Target	7
Rating	◼ On Target
Impact	OIG audits, inspections, and other reviews of Department and BBG security programs and operations provide the Department, BBG, the Congress, and the public with objective assessments of the efficiency and/or effectiveness of these programs and operations; where appropriate, identify possible vulnerabilities or inefficiencies, and make recommendations necessary to correct them.

Security and Intelligence Programs Reviewed and Reports Issued

FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2003 Target
6	6	7	7	7

A/P #1: MISSION AND TRANSMISSION STATION SECURITY AUDITS AND INSPECTIONS *Continued*

Protect people, information, and facilities at home and abroad

INTERMEDIATE OUTCOME INDICATOR

Indicator #2: Percentage of recommendations resolved within 6 months of issuance

RESULTS HISTORY		
2000	56%	
2001	70%	
2002	82%	

FY 2003 DATA		
2003 Results	90%	
Target	84%	
Rating	■ Significantly Above Target	
Impact	The result indicates that management agreed with nine out of 10 OIG security recommendations in a timely manner, thus increasing the likelihood that the vulnerabilities and deficiencies identified will be addressed relatively quickly, improving the security of Department and BBG personnel, information, and facilities.	
Other Issues	Performance was significantly above the target. Consequently, for FY 2004 we are raising the target from 87 percent to the FY 2003 level of 90 percent.	

Security Recommendations Resolved Within 6 Months of Issuance

56% FY 2000 Actual, 70% FY 2001 Actual, 82% FY 2002 Actual, 90% FY 2003 Actual, 84% FY 2003 Target

A/P #1: MISSION AND TRANSMISSION STATION SECURITY AUDITS AND INSPECTIONS *Continued*

Protect people, information, and facilities at home and abroad

OUTCOME INDICATOR

Indicator #3: Percentage of recommendations closed within 1 year of issuance

RESULTS HISTORY		
2000	60%	
2001	60%	
2002	64%	

FY 2003 DATA		
2003 Results	68%	
Target	67%	
Rating	■ Slightly Above Target	
Impact	Implementation and closure of OIG security recommendations reduce or eliminate identified vulnerabilities and deficiencies. The result indicates that Department and BBG management have agreed with two-thirds of OIG's security recommendations and have taken the appropriate corrective action to address them in a very timely manner. As a result, and all other conditions being equal, Department and BBG people, information, and facilities are believed to be more secure than they were at the time of OIG's reviews.	

Security Recommendations Closed Within 1 Year of Issuance

60% FY 2000 Actual, 60% FY 2001 Actual, 64% FY 2002 Actual, 68% FY 2003 Actual, 67% FY 2003 Target

A/P #1: MISSION AND TRANSMISSION STATION SECURITY AUDITS AND INSPECTIONS *Continued*

Protect people, information, and facilities at home and abroad

OUTCOME INDICATOR

Indicator #4: Percentage of significant recommendations closed within 1 year of issuance

RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	N/A

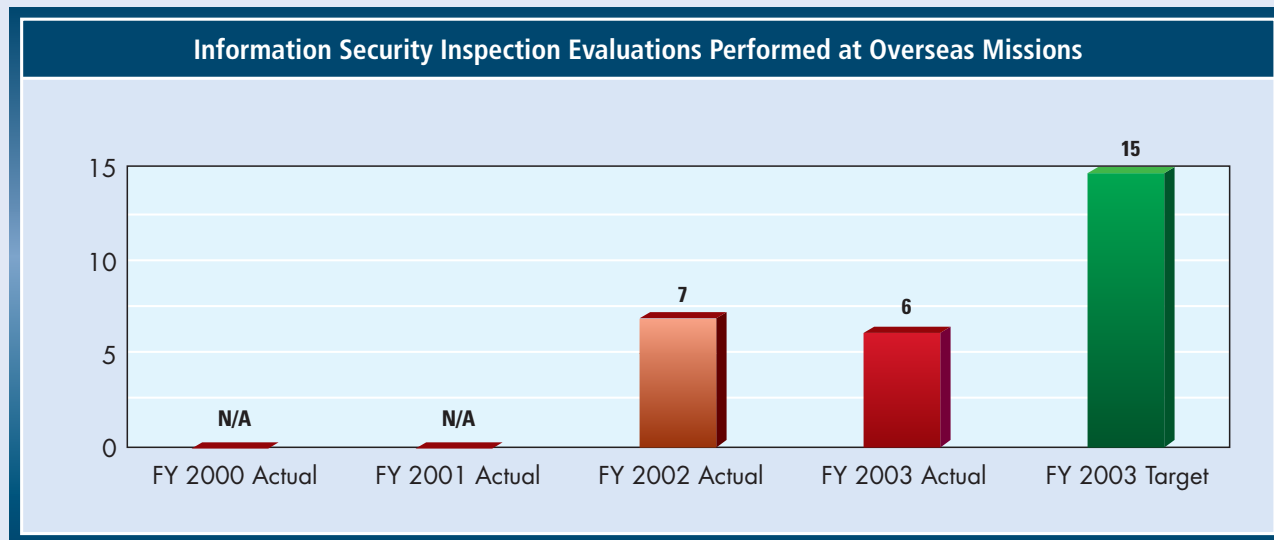| FY 2003 DATA	2003 Results	92%
	Target	50%
	Rating	■ Significantly Above Target
	Impact	Implementation and closure of OIG security recommendations reduce or eliminate identified vulnerabilities and deficiencies. The result indicates that Department and BBG management have agreed with almost all of OIG's most significant security recommendations and taken the appropriate corrective action to address them in a very timely manner. As a result, and all other conditions being equal, Department and BBG people, information, and facilities are believed to be more secure than they were at the time of OIG's reviews.
	Other Issues	Performance was significantly above targeted levels for FY 2003. As a result, FY 2004's target level will be increased from 60 percent to 92 percent to maintain the level reached in FY 2003.

Security Recommendations Closed Within 1 Year of Issuance

A/P #1: MISSION AND TRANSMISSION STATION SECURITY AUDITS AND INSPECTIONS *Continued*

Protect people, information, and facilities at home and abroad

OUTPUT INDICATOR

Indicator #5: Percentage of missions and bureaus inspected within the last 5 years

RESULTS HISTORY	2000	59%
	2001	73%
	2002	79%

FY 2003 DATA	2003 Results	90%
	Target	90%
	Rating	■ On Target
	Impact	OIG security inspections provide a systematic and independent evaluation of the security of a Department mission, bureau, or international broadcasting facility. The result indicates that in the past 5 years, 90% of Department missions have had a full or limited security inspection to assess the mission's compliance with existing security standards, and as a result of these inspections, all other conditions being equal, they are more secure than prior to the OIG inspection.
	Other Issues	Performance was slightly below the targeted level largely due to the need to shift resources supporting those efforts to other important and unanticipated work. In FY 2003, OIG began implementing a new integrated inspection process that combined post management, security, and information technology inspections. Consequently, for FY 2004, this indicator for mission inspections has been changed from a cumulative 5-year percentage to a targeted number per year, reflecting resource constraints and a waiver to the 5-year requirement.

Percentage of Missions Inspected Within Last 5 Years
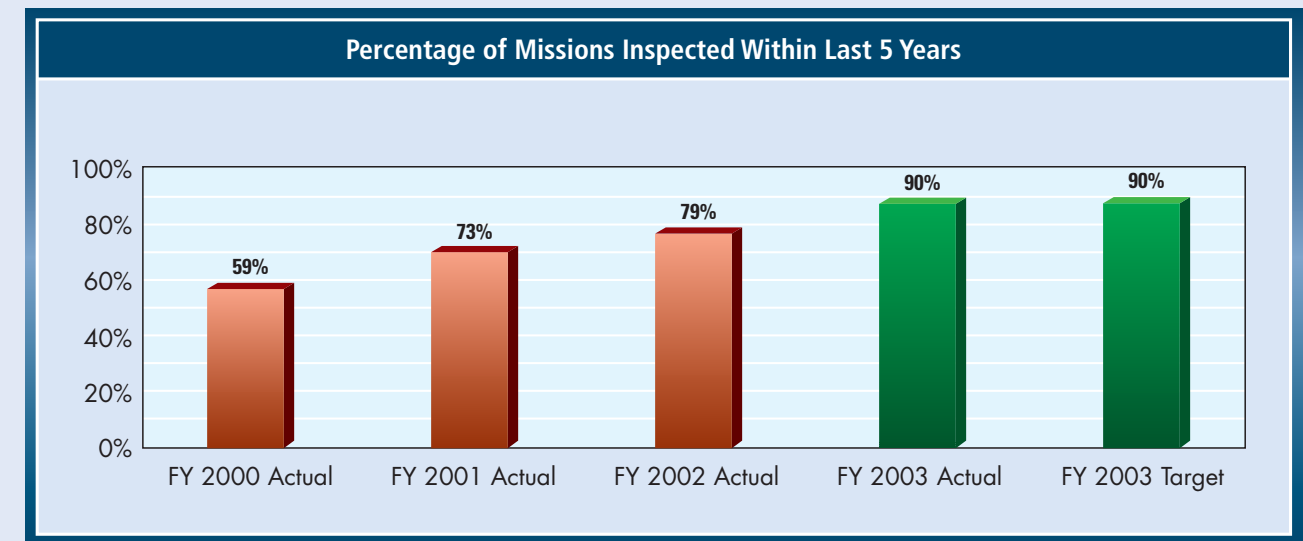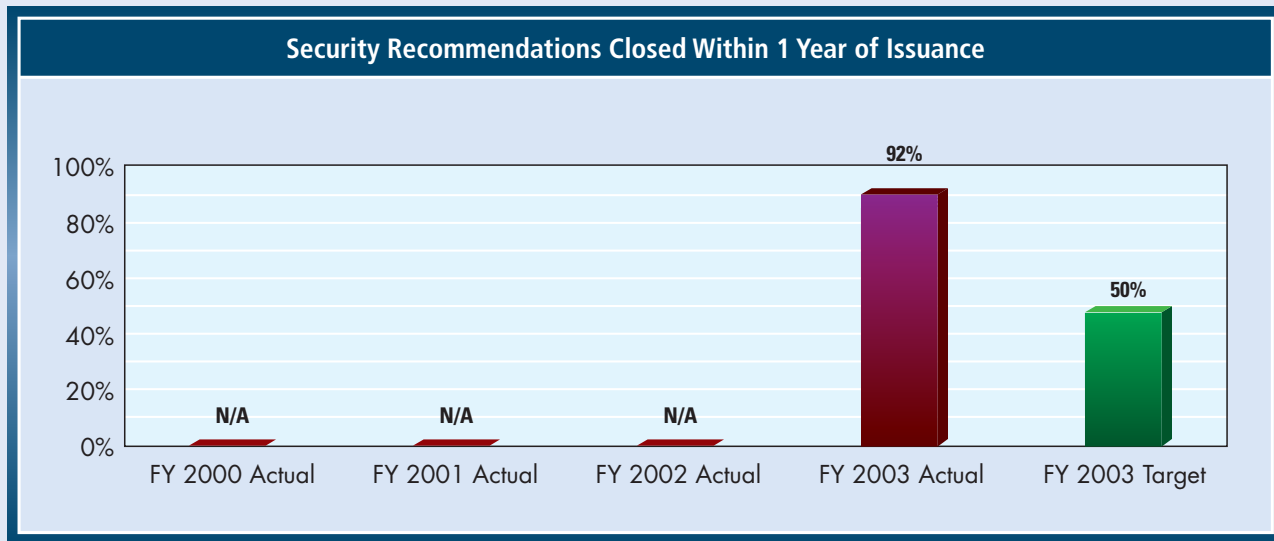
PERFORMANCE GOAL 2

Identify vulnerabilities and recommend corrective action with respect to information systems and security at overseas missions

A/P #2: INFORMATION SECURITY AUDITS AND INSPECTIONS

Identify vulnerabilities to information systems at overseas missions

OUTPUT INDICATOR

Indicator #6: Number of information security inspection evaluations performed at overseas missions

RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	7

FY 2003 DATA	2003 Results	6
	Target	15
	Rating	🟥 **Significantly Below Target**
	Impact	OIG information security inspection evaluations provide a systematic and independent evaluation of the security of information technology systems and information at Department missions and bureaus to ensure the security and integrity of the information that they contain. OIG first piloted this inspection activity in FY 2002 to assess mission and bureau compliance with applicable information technology security standards, and to test these systems and applications.
	Other Issues	Performance was significantly below the targeted level largely due to the need to shift resources supporting those efforts to other important and unanticipated work. In FY 2003, OIG began implementing a new integrated inspection process that combined post management, security, and information technology inspections. Consequently, for FY 2004, this indicator for mission inspections has been eliminated. The information technology security inspection evaluations will continue to be a part of every post management and security inspection. The results of these evaluations will be contained within the applicable post management and security inspection report rather than a separate information technology security inspection report.

Information Security Inspection Evaluations Performed at Overseas Missions

FY 2000 Actual	N/A	
FY 2001 Actual	N/A	
FY 2002 Actual	7	
FY 2003 Actual	6	
FY 2003 Target	15	

STRATEGIC GOAL 3: FINANCIAL MANAGEMENT AND ADMINISTRATIVE SUPPORT

The Department and the BBG have the necessary financial and support systems and controls to meet legal and operational requirements

I. Public Benefit

A significant portion of the foreign affairs budget is devoted to developing, maintaining, and securing the infrastructures—including physical facilities, information systems, financial management, grants management, procurement, personnel systems, and administrative support services—that underlie and support the Department's operations and provide a base for the conduct of U.S. foreign policy. This strategic goal comprises many of the operations encompassed within the Department's strategic objective to strengthen diplomatic and program capabilities and its strategic goal to achieve management and organizational excellence in financial management, contracts and grants, property management, procurement and departmental support activities, human resources, and other international programs and activities.

A substantial part of OIG resources is devoted to efforts supporting this goal, including addressing systemic weakness and security vulnerabilities; ensuring accountability for the estimated $3 billion in federal financial assistance, including grants and cooperative agreements, that is administered by the Department; and working with the Department and BBG to identify opportunities to streamline operations and reduce infrastructure and operational costs, inefficiency, and redundancy, while increasing effectiveness, where possible. OIG audits and program evaluations assess these operations to evaluate whether established goals and objectives are achieved and resources are used economically and efficiently; to assess whether results are consistent with laws, regulation, and good business practice; and to test financial accountability and reliability of financial statements.
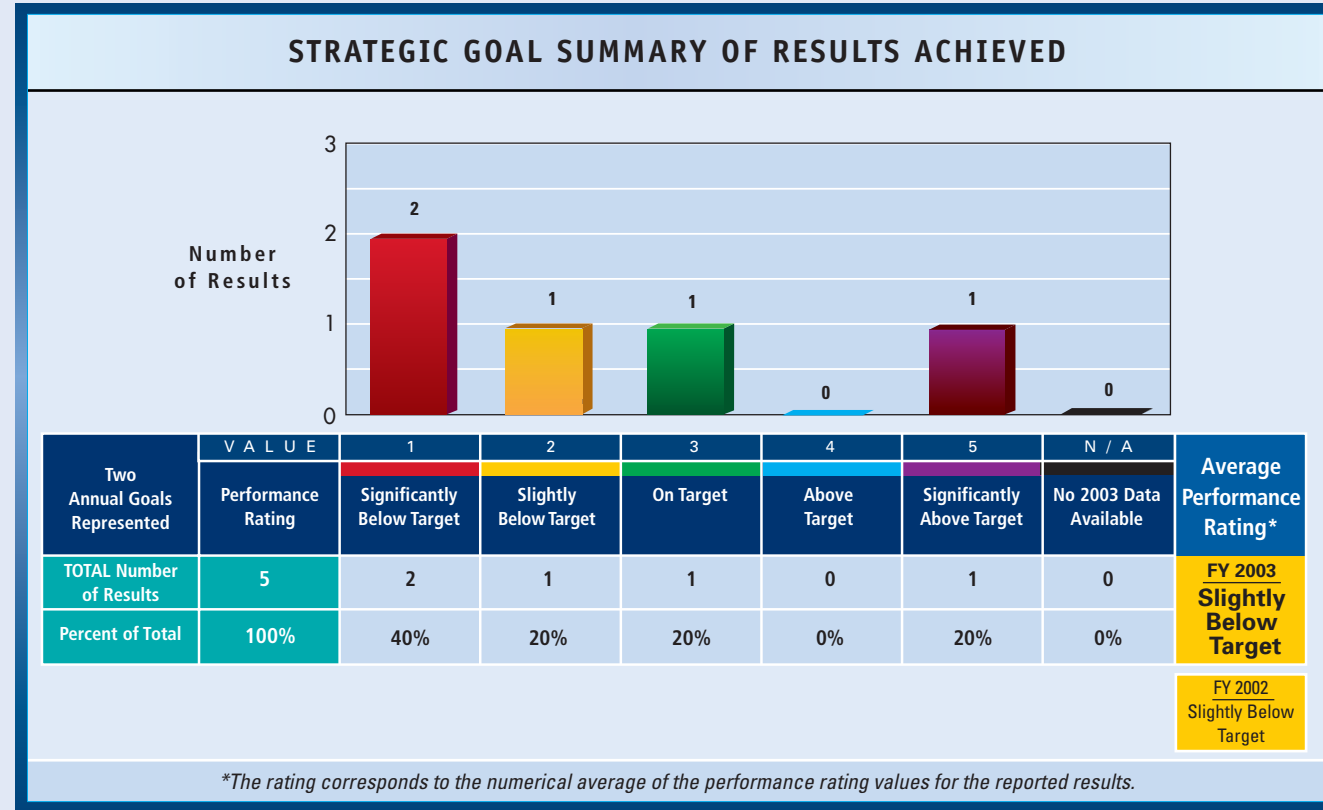
II. Strategic Context

This strategic goal is supported by two performance goals. Shown below are the major activities/programs, resources, bureaus, and partners that contribute to accomplishment of the strategic goal.
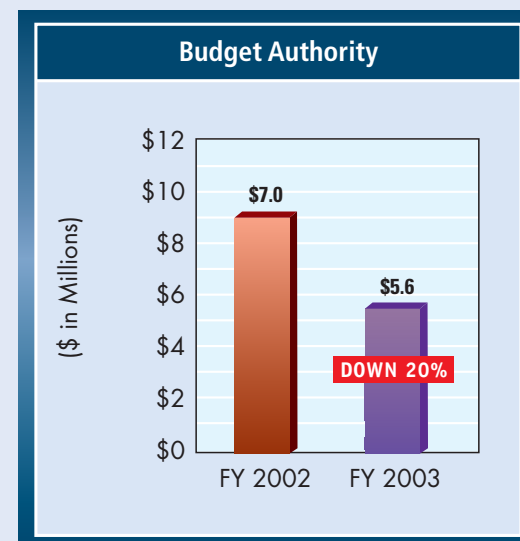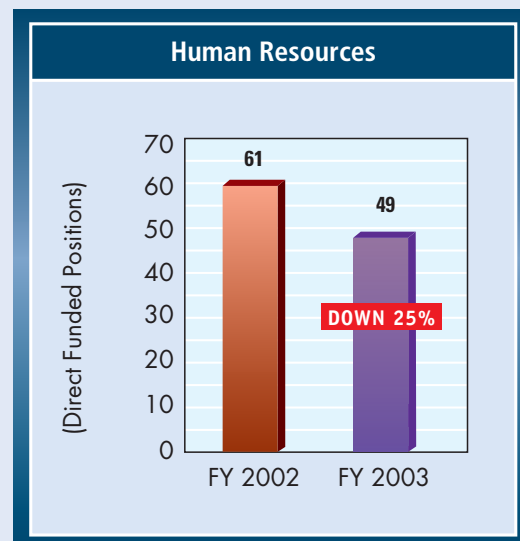
Strategic Goal	Performance Goal (Short Title)	Activity/ Program	Lead Office(s)	External Partners
Financial Management & Administrative Support	Identify challenges & vulnerabilities, with recommendations to address them, for financial and administrative support programs and activities	Financial, program & operational audits & other reviews	AUD, IT, IBO	N/A
	Evaluate progress in measuring performance and implementing the PMA, and recommend improvements	Inspections, audits, evaluations, and other reviews of foreign policy programs	AUD, IBO, ISP, IT, and SIO	N/A

III. Performance Summary

The chart below shows the performance rating distribution of the FY 2003 results for the Financial Management and Administrative Support strategic goal. Also shown is a comparison between the FY 2003 and FY 2002 average performance ratings for the goal. FY 2003 results produced a rating of "slightly below target," equal to last year's "significantly below target" rating.

STRATEGIC GOAL SUMMARY OF RESULTS ACHIEVED

Number of Results (chart, values: 2, 1, 1, 0, 1, 0)

Two Annual Goals Represented	VALUE	1	2	3	4	5	N/A	Average Performance Rating*
	Performance Rating	Significantly Below Target	Slightly Below Target	On Target	Above Target	Significantly Above Target	No 2003 Data Available	
TOTAL Number of Results	5	2	1	1	0	1	0	FY 2003 Slightly Below Target
Percent of Total	100%	40%	20%	20%	0%	20%	0%	
								FY 2002 Slightly Below Target

The rating corresponds to the numerical average of the performance rating values for the reported results.

IV. Resources Invested

Human Resources

(Direct Funded Positions)

FY 2002: 61
FY 2003: 49
DOWN 25%

Budget Authority

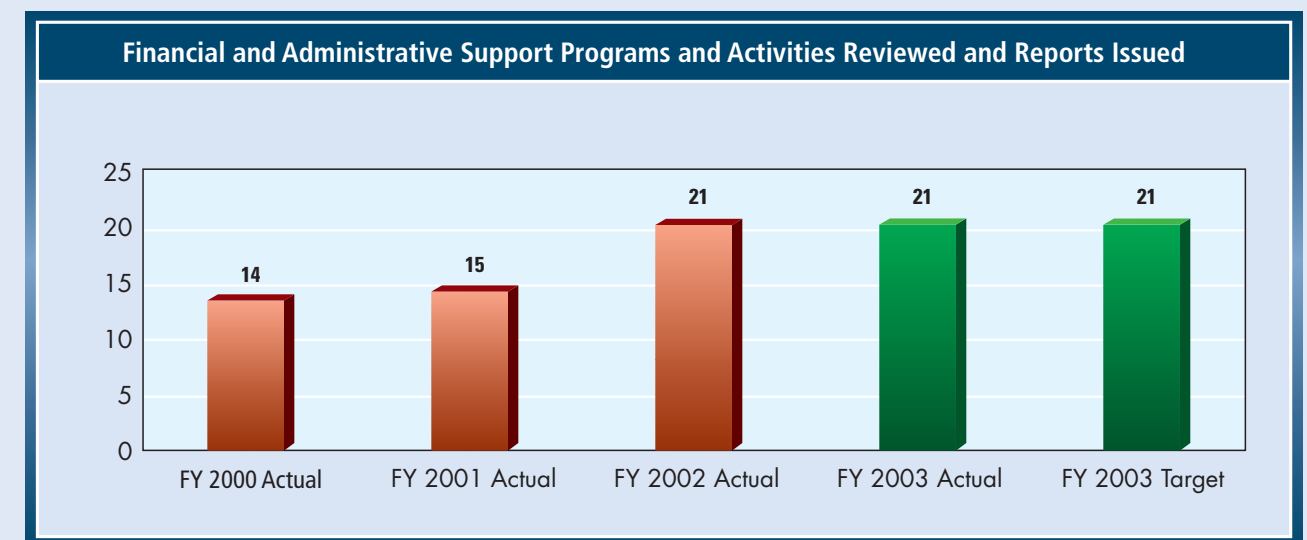($ in Millions)

FY 2002: $7.0
FY 2003: $5.6
DOWN 20%

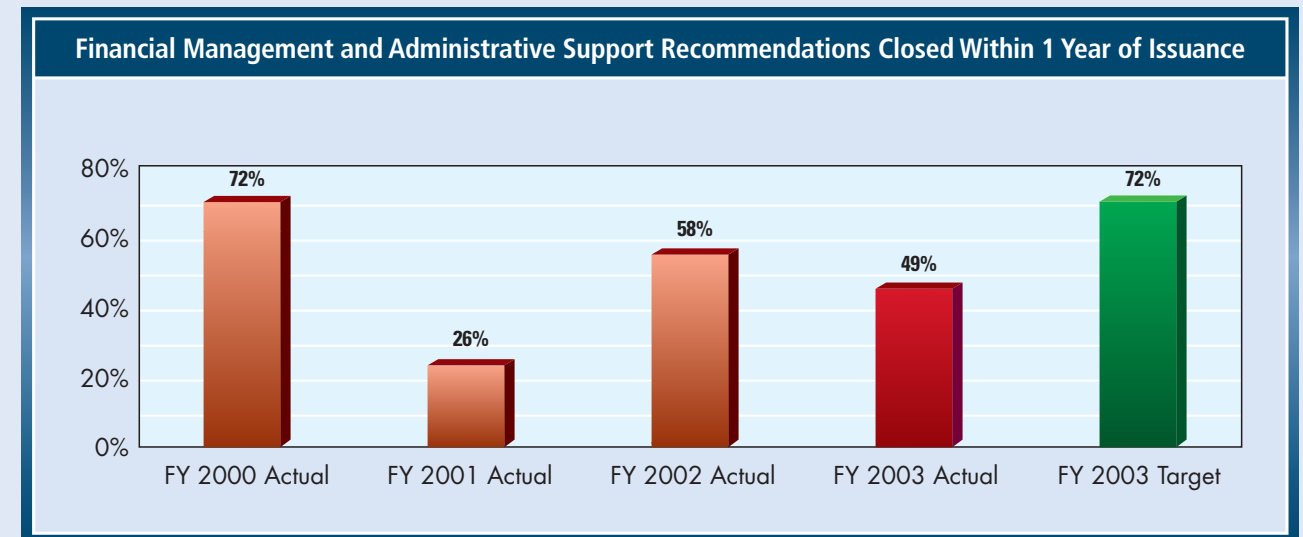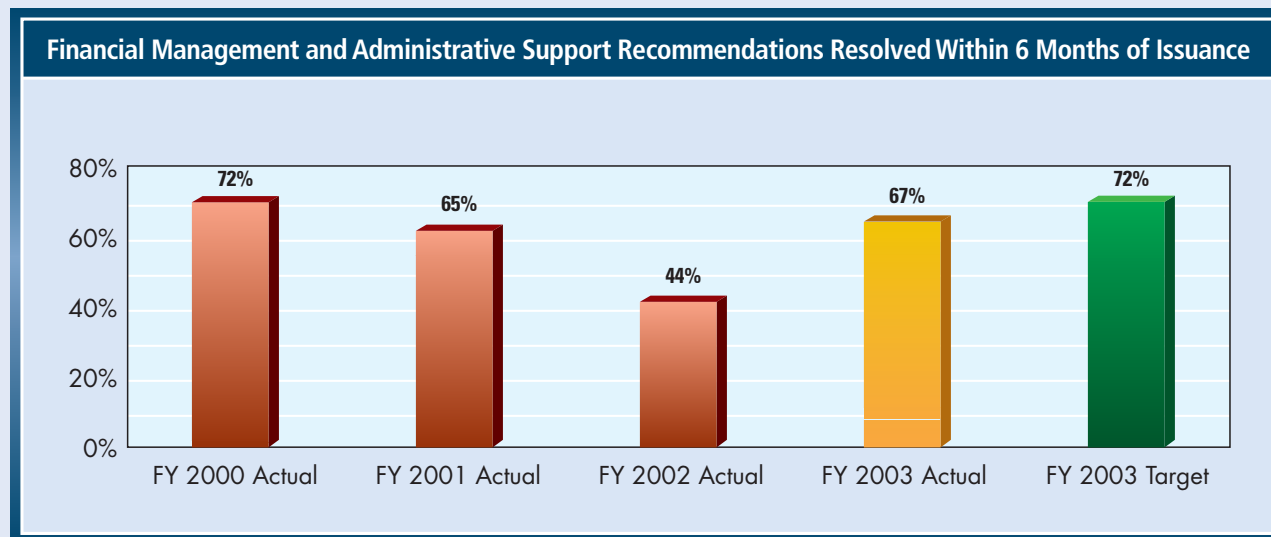## V. Performance Results

PERFORMANCE GOAL 1

Identify challenges and vulnerabilities for financial and administrative support programs and activities, and provide recommendations to address them

A/P #1: FINANCIAL, PROGRAM, AND OPERATIONAL AUDITS, AND OTHER REVIEWS

The Department and the BBG have the necessary financial and support systems and controls

OUTPUT INDICATOR

Indicator #1: Programs reviewed and reports issued

RESULTS HISTORY		
2000	14	
2001	15	
2002	21	

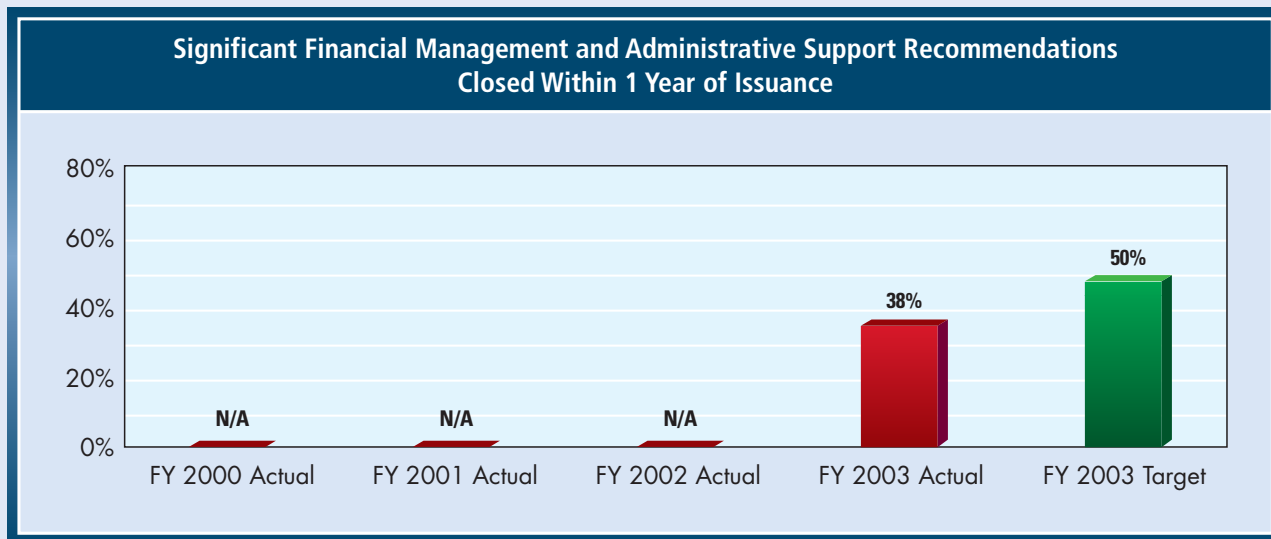| FY 2003 DATA		
2003 Results	21	
Target	21	
Rating	■ On Target	
Impact	OIG audits, inspections, and other reviews of Department and BBG financial management and administrative support programs and operations provide the Department, BBG, the Congress, and the public with objective assessments of the efficiency and/or effectiveness of these programs and operations and, where appropriate, identify possible vulnerabilities or inefficiencies and recommendations necessary to correct them.	

Financial and Administrative Support Programs and Activities Reviewed and Reports Issued

FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2003 Target
14	15	21	21	21

A/P #1: FINANCIAL, PROGRAM, AND OPERATIONAL AUDITS, AND OTHER REVIEWS *Continued*

The Department and the BBG have the necessary financial and support systems and controls

INTERMEDIATE OUTCOME INDICATOR

Indicator #2: Percentage of recommendations resolved within 1 year of issuance

RESULTS HISTORY		
	2000	72%
	2001	65%
	2002	44%

FY 2003 DATA		
	2003 Results	67%
	Target	72%
	Rating	▮ Slightly Below Target
	Impact	The result indicates that either management has some disagreement with the finding or the recommendations or the resolution process between management and OIG has not moved quickly enough, thus decreasing the likelihood that identified vulnerabilities and deficiencies will be corrected in a timely manner.
	Other Issues	Performance was slightly below the targeted level due largely to the need to shift resources supporting those efforts to other important and unanticipated work, Department and BBG disagreement with OIG findings or recommendations, failure of management and OIG to conduct the resolution process in a timely manner, or corrective actions that took longer to implement than planned. For FY 2004 OIG plans to devote the required resources to compliance follow-up activities and to work more proactively with the Department and BBG to address OIG recommendations. The revised FY 2004 target will reflect a reduction from 75% to the FY 2003 target of 72%.

Financial Management and Administrative Support Recommendations Resolved Within 6 Months of Issuance

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2003 Target
	72%	65%	44%	67%	72%

A/P #1: FINANCIAL, PROGRAM, AND OPERATIONAL AUDITS, AND OTHER REVIEWS *Continued*

The Department and the BBG have the necessary financial and support systems and controls

OUTCOME INDICATOR

Indicator #3: Percentage of recommendations closed within 1 year of issuance

RESULTS HISTORY		
	2000	72%
	2001	26%
	2002	58%

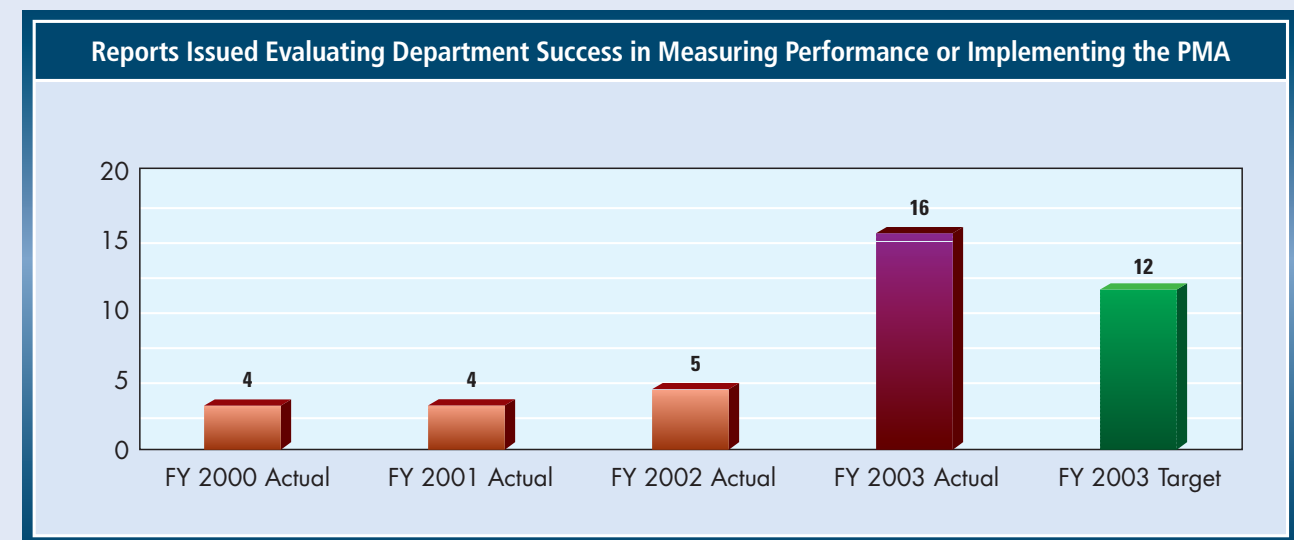| FY 2003 DATA		
	2003 Results	49%
	Target	72%
	Rating	▮ Significantly Below Target
	Impact	Implementation and closure of OIG financial management and administrative support recommendations reduce or eliminate identified vulnerabilities and deficiencies. The result indicates that either management has some disagreement with the finding or the recommendations or the resolution process between management and OIG has not moved quickly enough, thus decreasing the likelihood that identified vulnerabilities and deficiencies will be corrected in a timely manner.
	Other Issues	Performance was significantly below the targeted level due largely to the need to shift resources supporting those efforts to other important and unanticipated work, Department and BBG disagreement with OIG findings or recommendations, implementation that took longer than expected or failure to respond to recommendations in a timely manner. For FY 2004 OIG plans to devote the required resources to compliance follow-up activities and to work more proactively with the Department and BBG to address OIG recommendations. The revised FY 2004 target will reflect a reduction from 75 percent to the FY 2003 target of 72 percent.

Financial Management and Administrative Support Recommendations Closed Within 1 Year of Issuance

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2003 Target
	72%	26%	58%	49%	72%

A/P #1: FINANCIAL, PROGRAM, AND OPERATIONAL AUDITS, AND OTHER REVIEWS *Continued*

The Department and the BBG have the necessary financial and support systems and controls

OUTCOME INDICATOR

Indicator #4: Percentage of significant recommendations closed within 1 year of issuance

RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	N/A
FY 2003 DATA	2003 Results	38%
	Target	50%
	Rating	🟥 Significantly Below Target
	Impact	Implementation and closure of OIG financial management and administrative support recommendations reduce or eliminate identified vulnerabilities and deficiencies. The result indicates that either management has some disagreement with the finding or the recommendations or the resolution process between management and OIG has not moved quickly enough, thus decreasing the likelihood that the most significant vulnerabilities and deficiencies identified will be corrected in a timely manner.
	Other Issues	Performance was significantly below the targeted level due largely to the need to shift resources supporting those efforts to other important and unanticipated work, Department and BBG disagreement with OIG findings or recommendations, implementation that took longer than expected or failure to respond to recommendations in a timely manner. For FY 2004 OIG plans to devote the required resources to compliance follow-up activities and to work more proactively with the Department and BBG to address OIG recommendations. The revised FY 2004 target will reflect a reduction from 60 percent to the FY 2003 target of 50 percent.

Significant Financial Management and Administrative Support Recommendations Closed Within 1 Year of Issuance

PERFORMANCE GOAL 2

Identify progress on measuring performance and implementing the President's Management Agenda

A/P #2: INSPECTIONS, AUDITS, EVALUATIONS AND OTHER REVIEWS OF FOREIGN POLICY PROGRAMS

Progress in measuring performance and implementing the PMA

OUTCOME INDICATOR

Indicator #5: Number of reports issued relating to performance measurement or the (PMA)

RESULTS HISTORY	2000	4
	2001	4
	2002	5
FY 2003 DATA	2003 Results	16
	Target	12
	Rating	🟪 Significantly Above Target
	Impact	OIG audits, inspections, and other reviews of Department and BBG operations and programs involving performance measurement or the PMA provide the Department, BBG, the Congress, and the public with objective assessments of the efficiency and/or effectiveness of these programs and operations and, where appropriate, identify possible vulnerabilities or inefficiencies and recommendations necessary to correct them.
	Other Issues	The FY 2004 Target of 12 reports will not be revised.

Reports Issued Evaluating Department Success in Measuring Performance or Implementing the PMA

STRATEGIC GOAL 4: ACCOUNTABILITY

The Department and the BBG ensure accountability and prevent or eliminate fraud, waste, abuse, and mismanagement in programs and operations

I. Public Benefit

All government employees must conform to fundamental guiding principles governing professional and ethical conduct, as defined in law, executive order, regulation, policy, and procedure, as well as personal and management accountability. OIG promotes accountability and integrity in Department programs and operations through audits of selected grantees and contractors to determine whether the organizations expended federal funds for the intended purpose of the agreement and in accordance with applicable federal laws and regulations related to the agreement's terms and conditions. OIG also is mandated to prevent and detect waste, fraud, abuse, and mismanagement. Specific allegations or other information indicating possible violations of law or regulation are investigated by OIG investigators, supported by experts from other OIG offices, as appropriate. In addition, OIG works proactively to educate and share best practices with targeted audiences—such as new Ambassadors, deputy chiefs of mission, and Foreign Service and Civil Service employees—to improve adherence to standards of accountability by ensuring that employees of the foreign affairs agencies are informed of, and understand, the standards specific to their professional and ethical conduct.
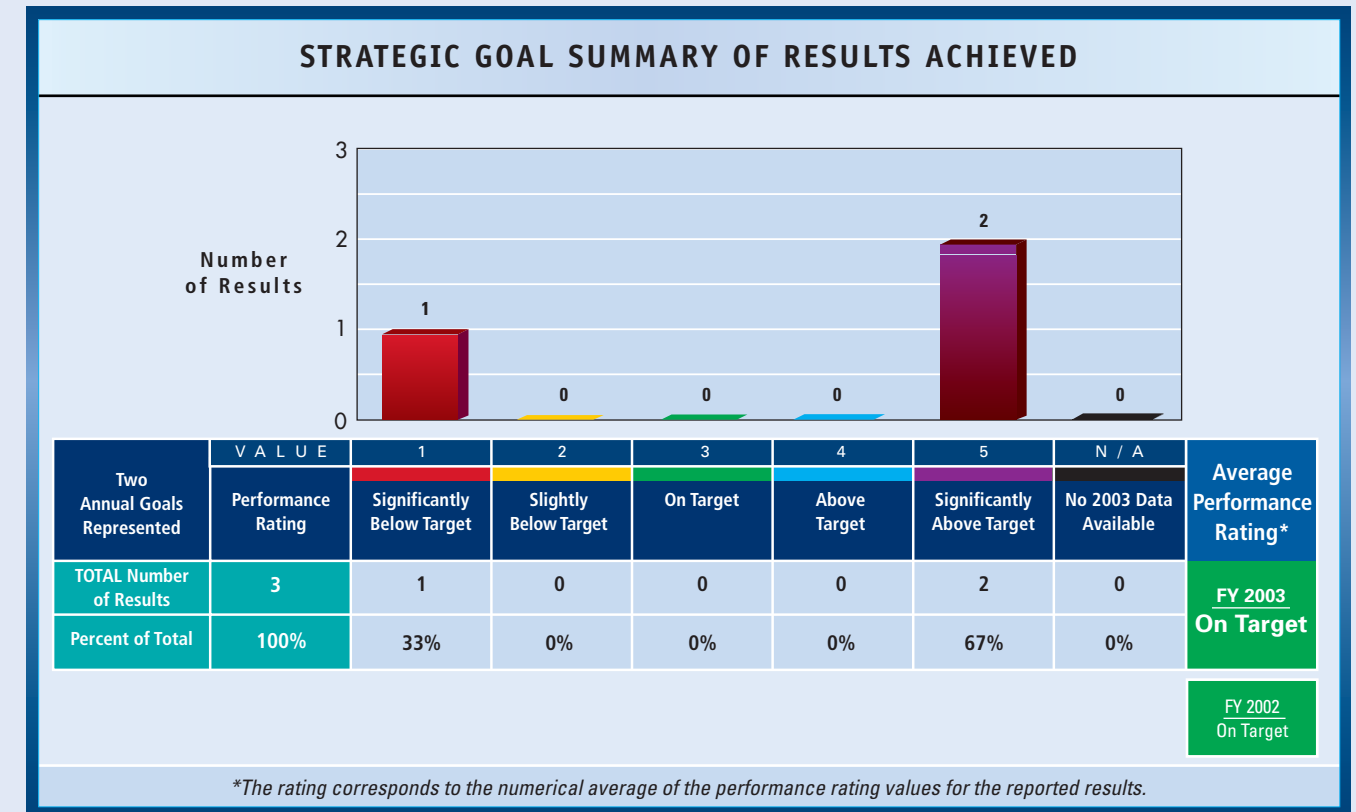
II. Strategic Context

This strategic goal is supported by two performance goals. Shown below are the major activities/programs, resources, bureaus, and partners that contribute to accomplishment of the strategic goal.
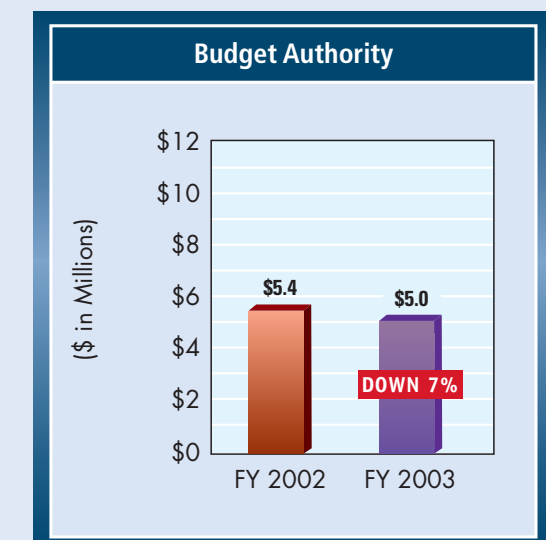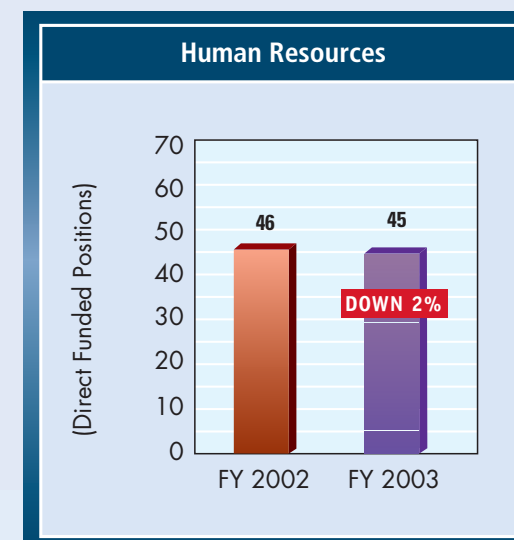
Strategic Goal	Performance Goal (Short Title)	Activity/ Program	Lead Office(s)	External Partners
Accountability	Identify potential monetary benefits as a result of audit and investigative recommendations	Audits, Inspections, program evaluations, other reviews & investigations	AUD, IBO, ISP, IT, SIO & INV	N/A
	Promote awareness and adherence to standards of professional and ethical conduct and accountability, and conduct thorough and expeditious investigations	Employee investigations	INV	N/A

III. Performance Summary

The chart below shows the performance rating distribution of the FY 2003 results for the Accountability strategic goal. Also shown is a comparison between the FY 2003 and FY 2002 average performance ratings for the goal. FY 2003 results produced a rating of "on target," equal to last year's "on target" rating.

STRATEGIC GOAL SUMMARY OF RESULTS ACHIEVED

Two Annual Goals Represented	VALUE	1	2	3	4	5	N/A	Average Performance Rating*
	Performance Rating	Significantly Below Target	Slightly Below Target	On Target	Above Target	Significantly Above Target	No 2003 Data Available	
TOTAL Number of Results	3	1	0	0	0	2	0	FY 2003 On Target
Percent of Total	100%	33%	0%	0%	0%	67%	0%	
								FY 2002 On Target

The rating corresponds to the numerical average of the performance rating values for the reported results.

IV. Resources Invested

Human Resources

(Direct Funded Positions): FY 2002 = 46, FY 2003 = 45, DOWN 2%

Budget Authority

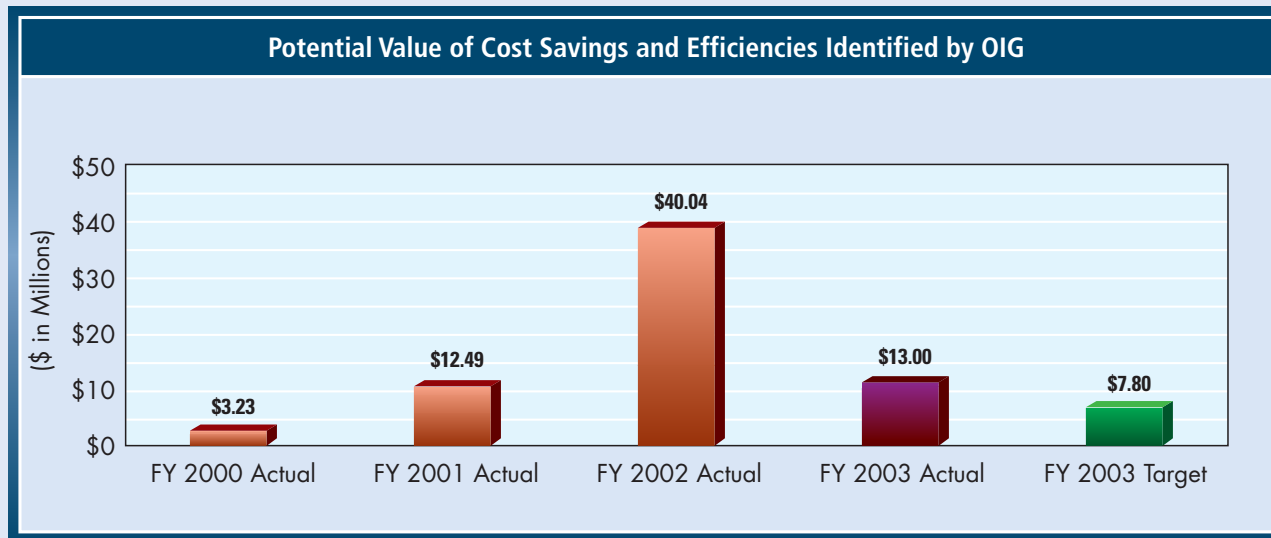($ in Millions): FY 2002 = $5.4, FY 2003 = $5.0, DOWN 7%

V. Performance Results

PERFORMANCE GOAL 1

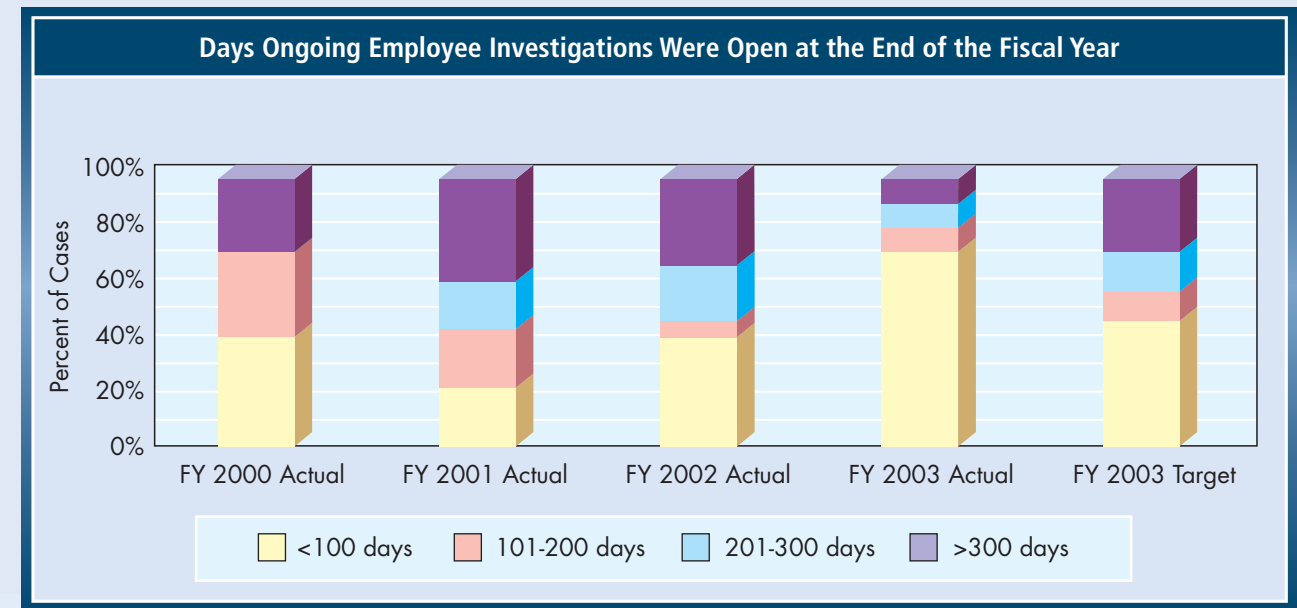*Identify potential monetary benefits as a result of audit and investigative recommendations*

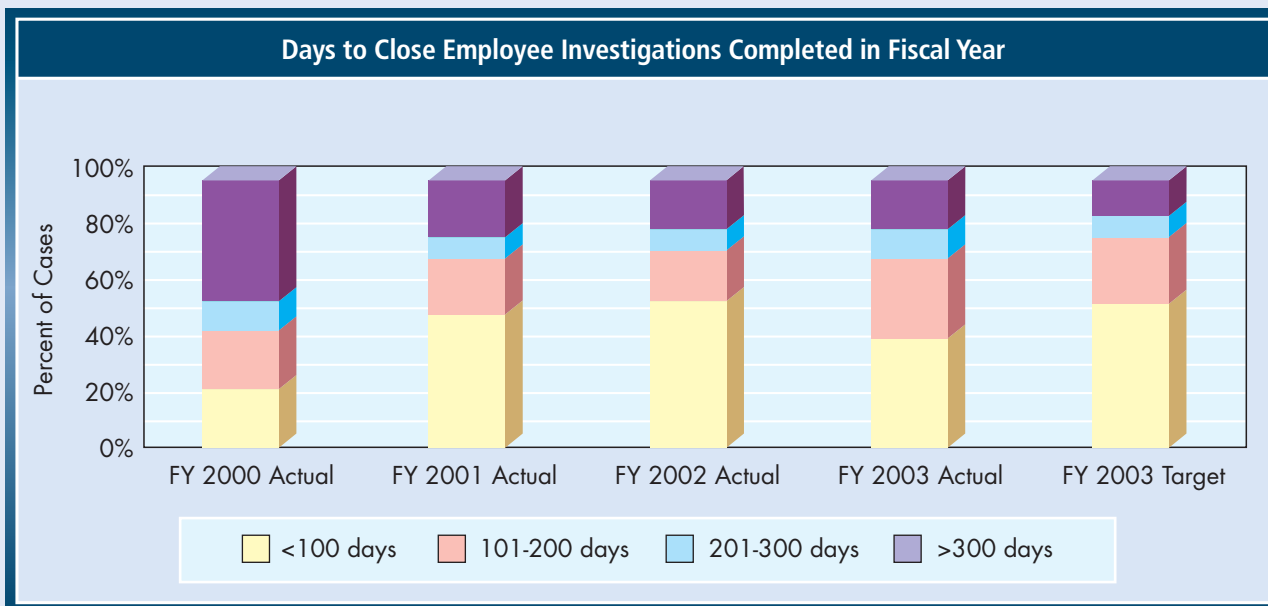| A/P #1: AUDITS, INSPECTIONS, PROGRAM EVALUATIONS, OTHER REVIEWS AND INVESTIGATIONS	
Identify monetary benefits	
INTERMEDIATE OUTCOME INDICATOR	
Indicator #1: Potential value of efficiencies identified in OIG recommendations	
2000	$3.23 million
2001	$12.49 million
2002	$40.04 million
2003 Results	$13 million
Target	$7.8 million
Rating	■ Significantly Above Target
Impact	OIG recommendations identify questioned costs and funds put to better use that, if realized, result in funds being returned to or retained by the Department and BBG and/or being available for better use. Investigative recoveries result in court-ordered fines and restitutions and administrative recoveries.
Other Issues	Because of the unpredictability of the cost efficiencies identified as a result of OIG's activities, despite the performance of the last three years, the FY 2004 target will remain $8.6 million.

(RESULTS HISTORY applies to 2000, 2001, 2002; FY 2003 DATA applies to the remaining rows.)

Potential Value of Cost Savings and Efficiencies Identified by OIG

	Value
FY 2000 Actual	$3.23
FY 2001 Actual	$12.49
FY 2002 Actual	$40.04
FY 2003 Actual	$13.00
FY 2003 Target	$7.80

($ in Millions)

PERFORMANCE GOAL 2

Promote awareness and adherence to standards of professional and ethical conduct and accountability, and conduct thorough and expeditious investigations

A/P #2: EMPLOYEE INVESTIGATIONS				
Conduct routine employee investigations in a timely manner				
OUTPUT INDICATOR				
Indicator #2: Percentage of open cases still open within targeted number of days at end of year				
Days	<100	101-200	201-300	>300
2000	45%	30%	0%	25%
2001	26%	21%	16%	37%
2002	45%	5%	20%	30%
2003 Results	76%	8%	8%	8%
Target	50%	10%	15%	25%
Rating	■ Significantly Above Target			
Impact	The longer it takes to complete an investigation, the longer it takes to take the proper administrative or criminal action or exonerate an employee cleared of unfounded allegations.			
Other Issues	Although we were able to exceed FY 2003 targets by a significant margin, we do not expect this to be repeated in FY 2004 and, accordingly, are not revising our FY 2004 targets.			

(RESULTS HISTORY applies to 2000, 2001, 2002; FY 2003 DATA applies to the remaining rows.)

Days Ongoing Employee Investigations Were Open at the End of the Fiscal Year

Percent of Cases

FY 2000 Actual · FY 2001 Actual · FY 2002 Actual · FY 2003 Actual · FY 2003 Target

■ <100 days ■ 101-200 days ■ 201-300 days ■ >300 days

A/P #2: EMPLOYEE INVESTIGATIONS *Continued*

Conduct routine employee investigations in a timely manner

OUTPUT INDICATOR

Indicator #3: Percentage of cases closed within targeted number of days

	Days	<100	101-200	201-300	>300
RESULTS HISTORY	**2000**	27%	20%	10%	43%
	2001	53%	20%	7%	20%
	2002	58%	17%	8%	17%
FY 2003 DATA	**2003 Results**	44%	28%	11%	17%
	Target	58%	22%	8%	12%
	Rating	■ **Significantly Below Target**			
	Impact	The longer it takes to complete an investigation, the longer it takes to take the proper administrative or criminal action or exonerate an employee cleared of unfounded allegations.			
	Other Issues	Our efforts under this goal were hindered by a decision to reallocate travel funds to fund other unanticipated, higher priority OIG work that surfaced during the year. Consequently, we were able to investigate fewer cases, resulting in those cases that were still open being open longer than desired so cases that could be closed were done so as quickly as possible. Our performance on those targets was significantly above our targets levels. We expect to achieve our FY 2003 targets in FY 2004, having lowered our FY 2004 targets accordingly.			

Days to Close Employee Investigations Completed in Fiscal Year

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I. Public Benefit

In addition to the performance goals supporting our four strategic goals, OIG has established two internal "enabling" goals that support our remaining strategic goals by ensuring that we have the people we need and that our work results in timely products. These and several other initiatives related to internal management improvements, discussed below, are directed toward ensuring that OIG operations are efficient, effective, and well-structured to achieve OIG's core statutory mission.

Our FY 2003 performance goals under our internal enabling goals focused on attracting and retaining employees with needed professional skills and experience and issuing a final report or other product within six months (183 days) of starting a project. Overall, these were our least successful results, falling short on three of four quantitative targets, although we did achieve some significant qualitative successes.
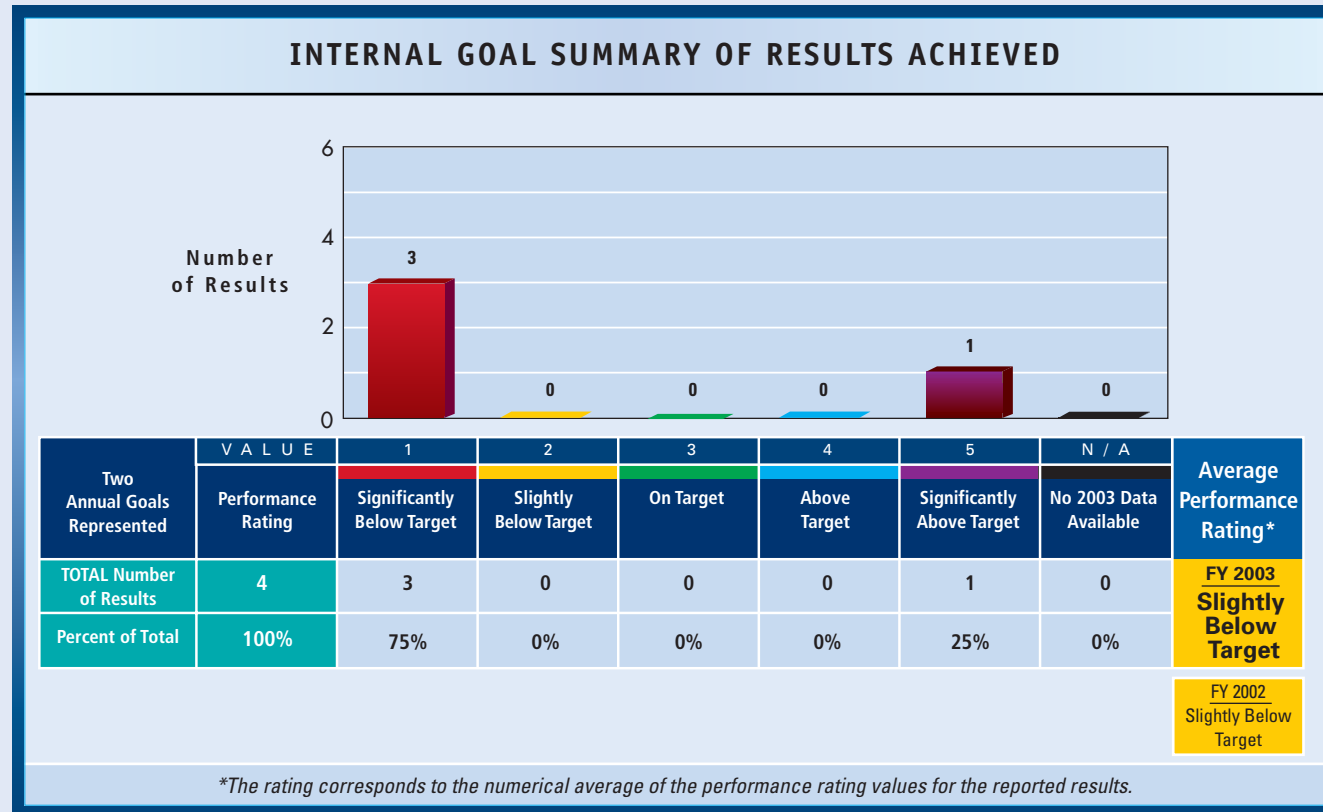
II. Management Context

This internal enabling goal is supported by two performance goals. Shown below are the major activities/programs, resources, and offices that contribute to accomplishment of the goal.

Strategic Goal	Performance Goal (Short Title)	Activity/ Program	Lead Office(s)	External Partners
OIG Management Excellence	**Attract and retain employees with the requisite professional skills and expertise**	Employee recruitment and retention	ADM	N/A
	Issue a final report or other product within six months of starting a project	Audit, inspection, performance evaluation, and other projects	AUD, IBO, ISP, IT, SIO	N/A

III. Performance Summary

The chart below shows the performance rating distribution of the FY 2003 results for the Internal Enabling goals strategic goal. Also shown is a comparison between the FY 2003 and FY 2002 average performance ratings for the goal. FY 2003 results produced a rating of "slightly below target," equal to last year's "significantly below target" rating.
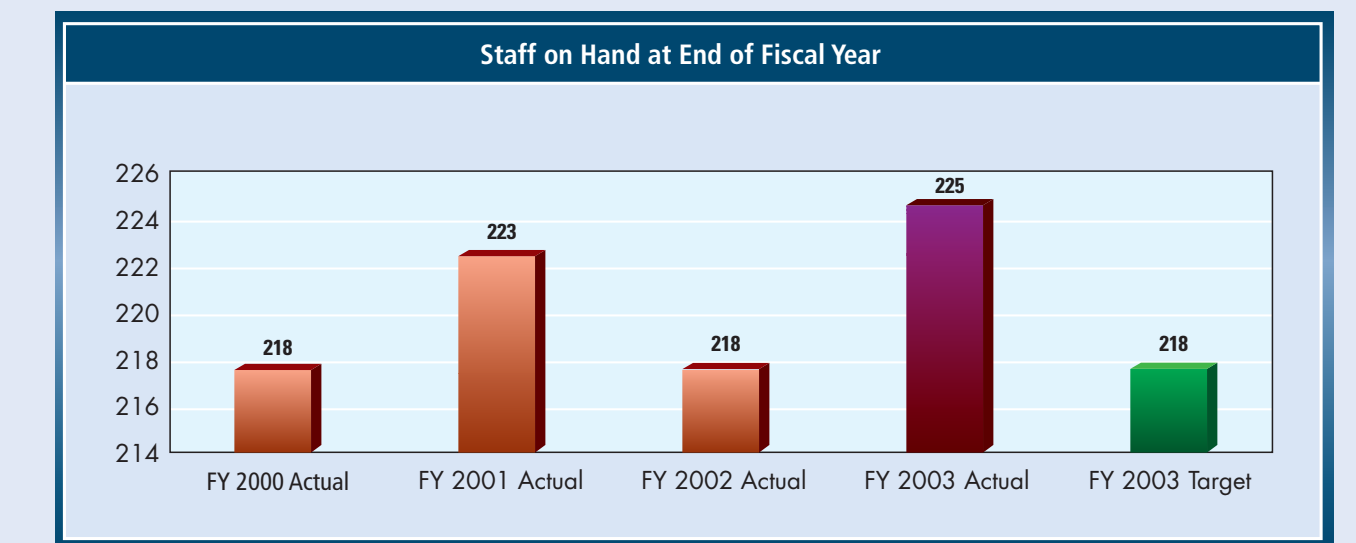
INTERNAL GOAL SUMMARY OF RESULTS ACHIEVED

Two Annual Goals Represented	VALUE	1	2	3	4	5	N/A	Average Performance Rating*
	Performance Rating	Significantly Below Target	Slightly Below Target	On Target	Above Target	Significantly Above Target	No 2003 Data Available	
TOTAL Number of Results	4	3	0	0	0	1	0	**FY 2003** Slightly Below Target
Percent of Total	100%	75%	0%	0%	0%	25%	0%	
								FY 2002 Slightly Below Target

The rating corresponds to the numerical average of the performance rating values for the reported results.

IV. Resources Invested

All human resources and dollars expended under OIG's budget authority in support of this internal enabling goal have been allocated to our four strategic goals.

V. Performance Results

PERFORMANCE GOAL 1

Attract and retain employees with the requisite professional skills and expertise

A/P #1: EMPLOYEE RECRUITMENT AND RETENTION

Attract Employees

OUTCOME INDICATOR

Indicator #1: Number of staff on hand at end of year

RESULTS HISTORY	2000	218
	2001	223
	2002	218

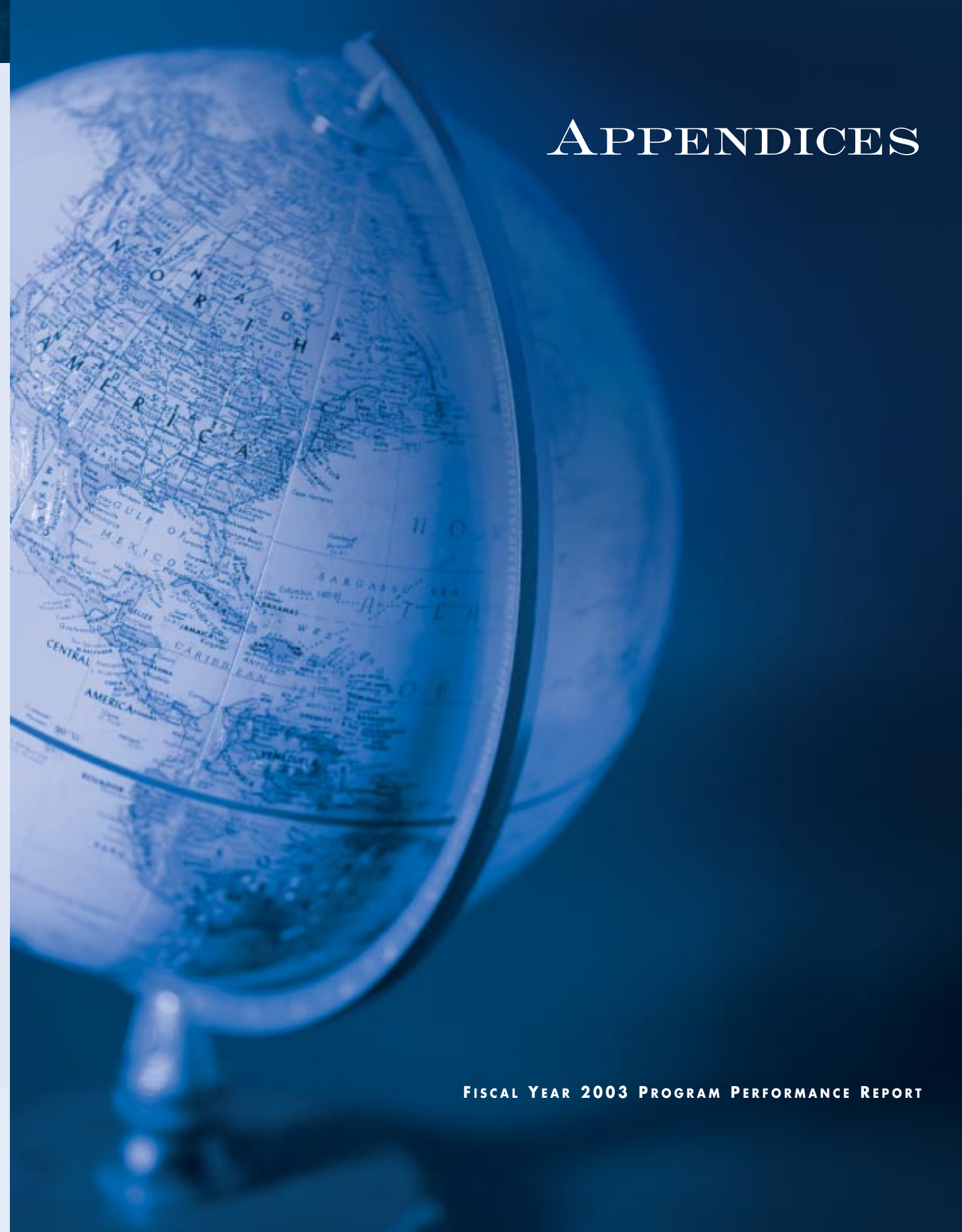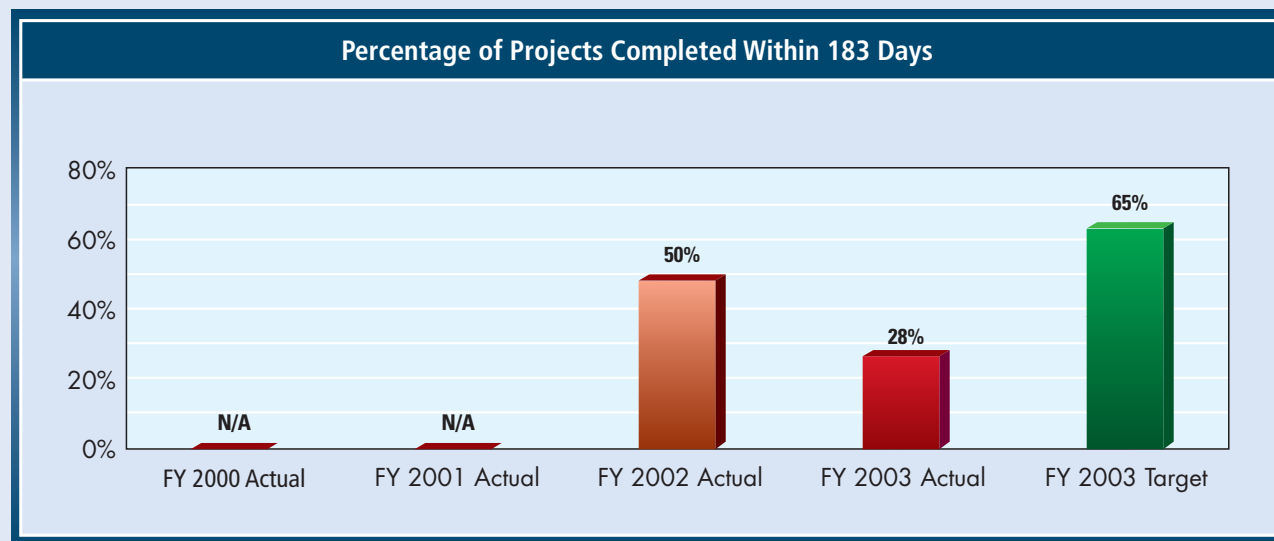| FY 2003 DATA	2003 Results	225
	Target	218
	Rating	■ Significantly Above Target
	Impact	The more appropriately skilled staff on hand, the more projects and/or the sooner OIG will be able to complete projects providing adequate oversight of Department and BBG activities.
	Other Issues	Although OIG was able to fill many vacancies by the end of the year, the attrition rate, the length of time to complete background security clearances, and the budget resources available to hire personnel will largely drive the number of staff that OIG is able to attract.

Staff on Hand at End of Fiscal Year

A/P #1: EMPLOYEE RECRUITMENT AND RETENTION *Continued*

Retain Employees

OUTCOME INDICATOR

Indicator #2: Attrition rate

RESULTS HISTORY	2000	17%
	2001	16%
	2002	11%

FY 2003 DATA	2003 Results	13%
	Target	11%
	Rating	🟥 Significantly Below Target
	Impact	The more appropriately skilled staff on hand, the more projects and/or the sooner OIG will be able to complete projects to provide adequate oversight of Department and BBG activities. A high attrition rate also increases the number of vacancies during the year and the time that must be spent training new employees, thus reducing the efficiency, if not the effectiveness, of operations.
	Other Issues	Our attrition rate was higher than targeted (this is worse than desired, so we consider it to be "below" our target). OIG experienced a higher level of attrition than expected in FY 2003 due, in part, to the departure of our former Inspector General to a new federal agency. His departure was followed by the loss of seven other OIG employees to the same agency, including four assistant inspectors general or equivalents. An additional employee left for that agency at the beginning of FY 2004. While the departures to the new federal agency are expected to stabilize, OIG may not be able to significantly reduce attrition until all senior management positions are filled and stability is restored to the organization. As of the beginning of FY 2004, three senior management positions within OIG remain vacant, including the Inspector General's position. Of these three positions, one is in the process of being filled. For FY 2004, the target will be revised to 12 percent from 11 percent.

Attrition Rate at End of Fiscal Year

PERFORMANCE GOAL 2

Issue a final report or other product within six months of starting a project

A/P #2: AUDIT, INSPECTION, PERFORMANCE EVALUATION, AND OTHER PROJECTS

Improve timeliness of reports

OUTPUT INDICATOR

Indicator #3: Average number of days to complete projects

RESULTS HISTORY	2000	267
	2001	252
	2002	250

FY 2003 DATA	2003 Results	253
	Target	183
	Rating	🟥 Significantly Below Target
	Impact	This indicates that, on average, our projects are taking almost eight and a half months to complete. As a result, our products are less timely and any identified vulnerabilities may take longer than necessary to correct.
	Other Issues	Performance was significantly below the targeted level, due largely to a higher than expected attrition rate and the need to shift resources supporting those efforts to other important and unanticipated work. Consequently, many ongoing projects lost staff or had staff available only part time, which caused delays. We expect to achieve this target in FY 2004.

Average Number of Days to Complete Projects

APPENDICES
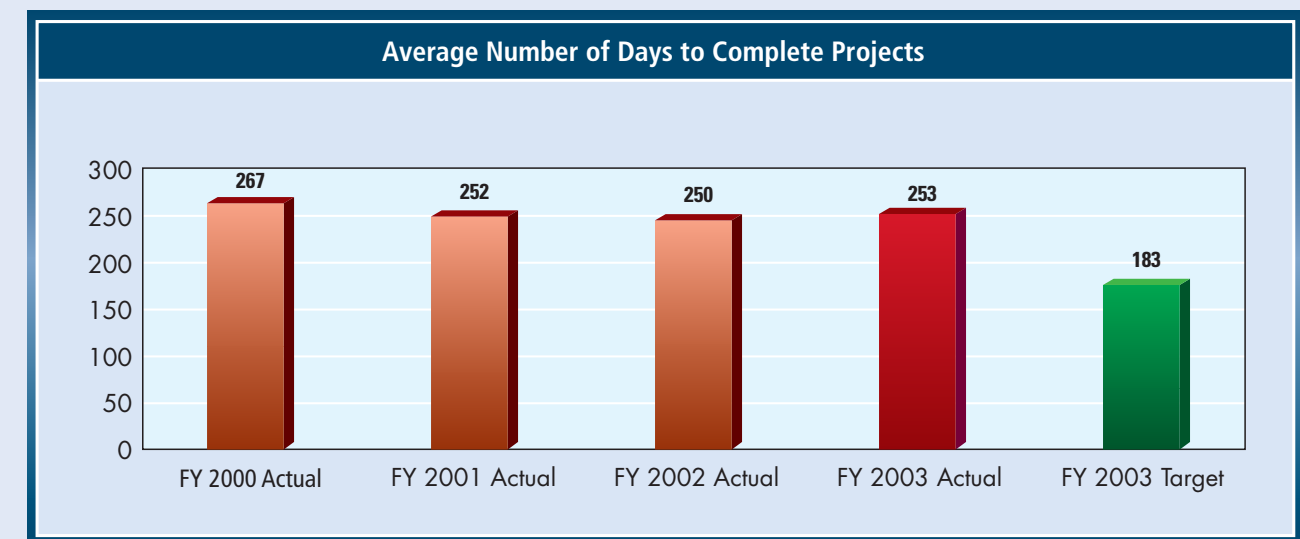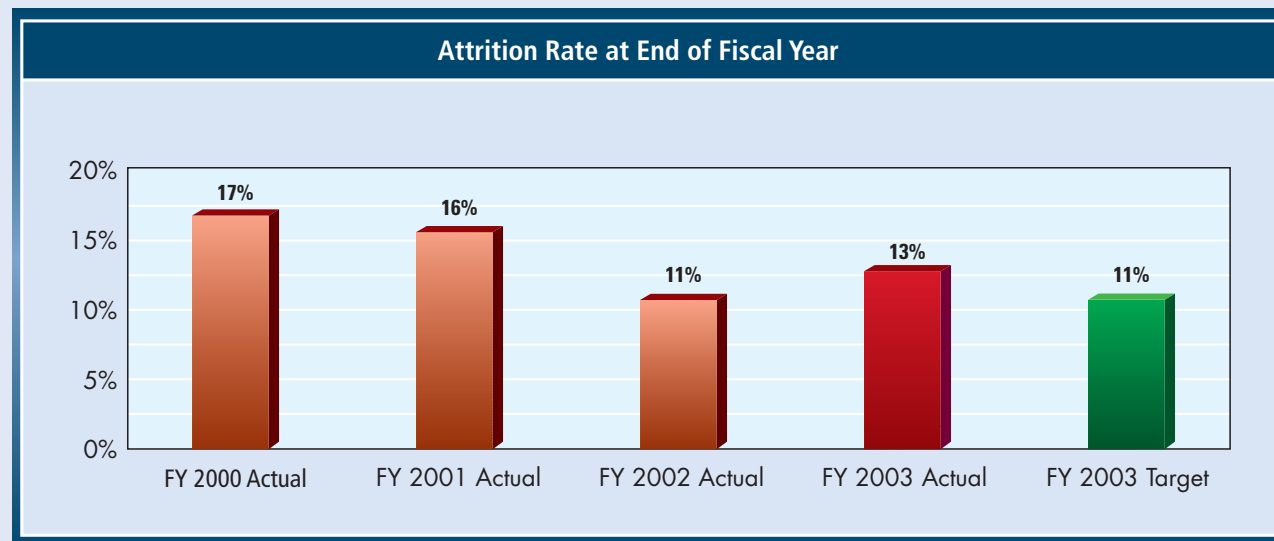
A/P #2: AUDIT, INSPECTION, PERFORMANCE EVALUATION AND OTHER PROJECTS
Continued

Improve timeliness of reports

OUTPUT INDICATOR

Indicator #4: Percentage of projects completed within 183 days

RESULTS HISTORY	2000	N/A
	2001	N/A
	2002	50%
FY 2003 DATA	2003 Results	28%
	Target	65%
	Rating	🟥 Significantly Below Target
	Impact	The result indicates that over 70 percent of our projects are taking over 6 months to complete, possibly both delaying the implementation of corrective actions and negating the relevance since conditions and staff change over relatively short timeframes of the information provided.
	Other Issues	Performance was significantly below the targeted level, due largely to a higher than expected attrition rate and the need to shift resources supporting those efforts to other important and unanticipated work. Consequently, many ongoing projects lost staff or had staff available only part time, which caused delays. We expect to achieve this target in FY 2004.

Percentage of Projects Completed Within 183 Days

	FY 2000 Actual	FY 2001 Actual	FY 2002 Actual	FY 2003 Actual	FY 2003 Target
	N/A	N/A	50%	28%	65%

APPENDIX A: ACCOMPLISHMENTS IN SUPPORT OF OIG STRATEGIC GOALS

During FY 2003, OIG reviews, findings, and recommendations resulted in positive benefits and outcomes, including improvements to Department and BBG security, programs, and operations.

MAJOR RESULTS AND ACCOMPLISHMENTS

OIG Activity or Finding	Results
FOREIGN POLICY	
A review of the Department's domestic passport fraud prevention programs found that smuggling of children or the substitution of the photograph of one child for another was facilitated by the regulatory exemption that allows children under 14 not to appear personally to apply for U.S. passports.	The Department is revising passport regulations and application forms to require children under 14 to appear personally when passport applications are executed on their behalf.
A review of nonimmigrant visa (NIV) issuance policy and procedures found that the Department had not assessed and reallocated consular workloads worldwide to determine where visa services can be consolidated and strengthen the usage and roles of regional consular officers.	The Department has started an extensive analysis of consular workloads throughout the Foreign Service to assess consular resource needs in the post-September 11, 2001, era. With regard to consolidation of visa services, the Department has accomplished significant consolidation for immigrant visas at several posts. Some NIV consolidation has been achieved within individual countries, but more remains to be done on a regional, multi-country basis.
A review of the Department's end-use monitoring of munitions exports found that only a small number of export license applications and approved licenses were targeted for end-use checks overseas. For the two-year period reviewed, no site verifications were performed in several countries OIG visited, with munitions exports of approximately $6.7 billion in Department-approved licenses. OIG recommended that the Department's program for end-use monitoring of high-risk exports increase the number of checks performed annually and specify to posts when a site visit or physical inspection is required as part of the end-use check.	The Department developed a phased-in plan to increase the number of end-use checks of munitions exports and will specify in cables to posts when a site visit is required as part of an end-use check. In addition, the Department is updating its program guidance to posts and has sent out a worldwide cable citing OIG's suggestions for improving the effectiveness of this program to help detect and prevent the illegal export of munitions.
A review of the effectiveness and implementation of the Office of Cuba Broadcasting's (OCB) new program initiatives found that although the initiatives seemed to be targeting important new audiences, there were a number of deficiencies in their implementation.	The OCB conducted a needs assessment of talent contractors and cancelled or reduced many of the contracts, allowing OCB to direct these contract dollars to other purposes, and established a quality assurance plan for future procurement actions.
A review of how Radio Free Asia (RFA) was meeting its mission and carrying out its administrative procedures found that, even in the absence of scientifically based audience research, it appeared that RFA was achieving its broadcasting mission. However, RFA needed to improve its administrative policies and procedures, particularly in the areas of budgeting, procurement, and human resources.	BBG took action to close the Tokyo news bureau of Radio Free Asia, allowing it to put limited resources to better use.

MAJOR RESULTS AND ACCOMPLISHMENTS *Continued*

OIG Activity or Finding	Results
SECURITY	
The FY 2002 review of the Department's protection of classified information at its main building found that the Department has made substantial progress in protection of classified information, particularly sensitive compartmented information (SCI).	The Department has transferred responsibility for protecting SCI from the Bureau of Intelligence and Research to the Bureau of Diplomatic Security, implemented procedures for controlling SCI documents and ensuring that vulnerabilities identified by technical surveillance countermeasure evaluations are corrected promptly, and strengthened internal procedures for adjudicating security violations and referring valid violations for possible disciplinary action.
A review of the accountability and methods used to protect Communications Security (COMSEC) program material and information, Diplomatic Contingency Program materials and information, and classified memory storage media overseas found that, overall, the Department's overseas programs for controlling COMSEC material and managing the Diplomatic Contingency Program's deployed emergency network systems are effective. However, additional guidance and clarification of existing policies would enable overseas officials better manage these responsibilities.	The Department clarified guidance on actions needed to protect Top Secret documents stored on electronic media, as well as for labeling and storing certain classified electronic media.
Analyses of many recent security oversight inspections revealed that a number of compound access control facilities at U.S. missions overseas, including those recently constructed, have a fundamental security vulnerability. OIG recommended procedural and physical security measures to correct this vulnerability.	The Department is altering the design and construction of compound access control facilities to eliminate an OIG-identified vulnerability.
A follow-up review of the Department's unit security officer (USO) program found that, although training and awareness have improved since the initial audit, the USO program in its current form is piecemeal, resulting in inadequate program implementation and poor results.	The Department has developed everyday guidance, briefed senior managers, and designed program implementation tools to assist the Department USOs in implementing the Department's security program. Training sessions have been developed for USOs and principal unit security officers (PUSOs), and as of October 2003, 29 PUSOs and 713 USOs had completed this training.
OIG's Office of Security and Intelligence Oversight conducted 36 security oversight inspections and four compliance follow-up reviews of earlier inspections.	OIG recommended corrective actions to improve the protection of personnel, national security information, and the facilities of U.S. missions domestically and abroad. Most of the recommended corrective actions were in response to issues such as the lack of adequate setback, failure to conduct required emergency drills, outdated emergency action plans, and inadequacies in emergency plans, communications, and notification systems.
A vulnerability assessment of the International Cooperative Administrative Support Services System (ICASS) found that although the specific security features associated with ICASS appeared to function correctly, there were a number of vulnerabilities—which were also found in other systems—that needed to be addressed on a Department-wide basis.	The Department agreed to address all the identified vulnerabilities. This should result in a more secure information technology infrastructure.
OIG's Office of Information Technology conducted information security inspections of, and issued reports on, six overseas missions.	Information technology security inspections at six overseas posts identified corrective actions to improve the security of embassy information systems at the posts reviewed. Future IT inspections will be conducted as part of the integrated inspection process, which is being piloted in FY 2004.

MAJOR RESULTS AND ACCOMPLISHMENTS *Continued*

OIG Activity or Finding	Results
FINANCIAL MANAGEMENT AND ADMINISTRATIVE SUPPORT SUPPORT	
◆ A review of the domestic travel card program found that the Department did not have a process in place to address delinquencies in the 60-day past due category before the cards are automatically suspended, had not done enough to prevent and detect misuse of the cards, and did not have adequate controls in place to ensure that the administrative oversight was adequate.	◆ The Department developed written policies and procedures for bureau travel card program coordinators and cardholders and has made them centrally available on an Intranet site. It also developed guidelines for addressing individually billed travel card accounts that are in the 60-day past due category and guidance on when and how to transfer cardholders' accounts from one bureau to another or to an overseas mission.
◆ A survey of the Department's progress in complying with the Federal Activities Inventory Reform Act of 1998 found that the Department's FY 2001 inventory of 3,046 full-time equivalent positions available for competition was developed in an inconsistent manner and was inaccurate.	◆ The Department has improved its competitive outsourcing efforts by taking a more comprehensive, systematic approach in compiling the FY 2002 inventory.
◆ A study of knowledge management within the Department revealed the need for a designated individual with responsibility for fostering and overseeing knowledge management within the Department on a day-to-day basis; serving as an advocate, documenting the Department's knowledge management approach, and linking it to the strategic business plans and directions; and networking among employee groups and coordinating knowledge management activities throughout the Department.	◆ The Department realigned the Bureau of Information Resource Management (IRM) to create a Deputy Chief Information Officer for Knowledge. IRM also integrated the Diplomacy Task Force to serve as principal advocate for user needs and business practices, as an agent for improved interagency communication and collaboration, and as the Department's center for knowledge leadership. These efforts have improved the Department's progress on enhancing e-government.
◆ Audits of the Department's FY 2001 and FY 2002 Financial Statements found that they were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. The audits also identified four reportable conditions related to internal controls, one of which is a material weakness regarding information system security; and found instances of noncompliance with selected provisions of applicable laws and regulations involving the Department's financial management systems; and found that financial management systems did not substantially comply with the requirements of the Federal Financial Management Improvement Act of 1996.	◆ The Department was able to meet the accelerated due date of February 1, 2003, about one month earlier than the previous year. The Department also is focusing additional attention on computer security issues; significantly improving the accuracy, reliability, and availability of its financial information; and focusing efforts to address several significant internal control and non-compliance issues, including system security.
◆ A review of the Department's implementation of the Government Paperwork Elimination Act (GPEA) found that, although the Department had submitted its initial e-government plan and subsequent updates in a timely manner, these submissions did not adequately fulfill Office of Managment and Budget guidelines of meet the administration's e-government objectives.	◆ The Department has taken steps to improve oversight and coordination of its e-government initiatives and to enhance progress in meeting GPEA objectives, including establishing a centralized E-Gov Program Management Office to coordinate e-government activities and planning and to develop a Department-wide approach for e-government activities. The Department also approved a comprehensive plan to improve its IT capital planning processes to ensure that e-government is central to all IT planning and decision-making.
◆ A review of the Broadcasting Board of Governors' (BBG) restructuring and human capital planning found that it was facing major human capital challenges in striving to meet the President's Management Agenda (PMA) initiative concerning the strategic management of human capital.	◆ BBG has taken the first steps to begin addressing problems related to the PMA human capital initiative, including implementing mandatory training courses for its acquisition and procurement workforce.
◆ Several recent inspections found that Department has a policy of computing the post cost-of-living allowance for U.S. direct-hire employees without deducting value added tax reimbursement.	◆ Requiring all missions to submit retail price surveys that list local prices, net of value added tax reimbursement, should result in significant savings.

MAJOR RESULTS AND ACCOMPLISHMENTS *Continued*

OIG Activity or Finding	Results
ACCOUNTABILITY	
◆ OIG conducted audits of Department and BBG programs, operations, contractors, and grantees.	◆ These audits, including the one below, identified $5.3 million in questioned costs and $500,000 in funds put to better use.
◆ At the request of the Department, OIG reviewed nine grants, totaling $7.7 million, awarded to Youth for Understanding, Inc., which subsequently ceased operations due to financial problems and later filed for Chapter 11 bankruptcy.	◆ The limited review of the nine grants identified more than $315,000 owed to the Department by Youth for Understanding for funds drawn in excess of actual needs and disbursed for other than grant expenses, and for insurance premiums paid directly by the Department.
◆ During FY 2003, OIG investigators opened 68 preliminary inquiries and 34 new cases and closed 42 cases.	◆ Investigations resulted in three indictments, seven convictions, and more than $7.15 million in investigative recoveries. Results of selected individual cases are described below.
◆ An investigation resulting from an OIG audit found that a Department grantee had improperly charged grant funds for travel costs.	◆ The grantee signed a settlement agreement with the U.S. Attorney's office, and repaid $25,000.
◆ A joint investigation with the Department of Labor, Immigration and Naturalization Service, and Internal Revenue Service found that a Virginia immigration attorney and a Department personal services contractor were involved in a scheme of employment-based immigrant visa fraud.	◆ The contract employee pleaded guilty to five felony counts and was sentenced to 97 months' imprisonment and ordered to pay restitution of $4 million. The immigration attorney was found guilty on 57 felony counts and sentenced to 121 months' imprisonment and ordered to pay $2.3 million in restitution.
◆ An investigation was undertaken in May 2001, based on information from an internal review by the Bureau of Human Resources that revealed almost $2 million in suspect post assignment travel charges at an embassy in Africa.	◆ A Zambian national pleaded guilty in June 2002 to a felony charge of conspiracy to receive stolen government money, and was sentenced in November 2002 to 30 months' imprisonment and ordered to make more than $2 million in restitution.
◆ A joint investigation was undertaken with the Office of Inspector General of the Department of Homeland Security, the Federal Reserve System, and the Department of the Treasury Inspector General for Tax Administration, in response to a complaint that the president of a company that was providing explosives ordnance detection dogs had made false claims about the company's qualifications and was providing dogs and handlers that could not meet the standards claimed by the company. A standardized test of six of the dogs found that all six failed the test.	◆ Following the test, the primary contractor terminated its subcontract with the company. The president of the company was found guilty on 25 counts of wire fraud and two felony counts of submitting false claims to the government and was sentenced to 78 months' imprisonment and 36 months' supervised probation, fined $2,700, and ordered to make restitution of more than $700,000.
◆ An investigation found that the controller of a nonprofit organization that received grant funds from the Department had written checks to herself and her family from those funds.	◆ The subject of the investigation pleaded guilty, and was sentenced to 5 months' imprisonment; 5 month's home detention, and 36 months' supervised probation, fined $100, and ordered to make restitution of more than $60,000.
◆ OIG continued its briefings to new Ambassadors, deputy chiefs of mission, and Foreign Service and Civil Service employees on the role, mission, and services of the OIG.	◆ OIG presentations to an ambassadorial seminar, a Foreign Service officer orientation, and two Civil Service employee orientations provided attendees with a better understanding of the operations of the OIG and accountability issues affecting Department employees. Briefings to Ambassadors and Foreign Service officers also addressed specific issues related to their respective assigned missions.

MAJOR RESULTS AND ACCOMPLISHMENTS *Continued*

OIG Activity or Finding	Results
INTERNAL ENABLING GOALS	

◆ OIG redeployed staff to streamline management and improve operational efficiency and effectiveness by eliminating one division in the Office of Security and Intelligence Oversight and transferring the function to another division in that office. Also, two units from other OIG offices were transferred into the Office of Administration.

◆ OIG developed its first hiring plan for Fiscal Years 2003-04, and initiated work on its first workforce plan.

◆ OIG initiated a 100 percent review of all OIG position descriptions, to be completed in FY 2004.

◆ OIG implemented the OIG Timesheet System (OTS) for all OIG employees, effective October 1, 2002.

◆ The staffing change resulted in the elimination of one director's position, improved the operational effectiveness of the security inspection teams, and streamlined administrative support functions by consolidating them into one office. The transfer of information technology operations resulted in a structure parallel to that of other bureaus, which is expected to enhance coordination with the Department and implementation of new programs and requirements.

◆ The workforce plan will include a comparison of the skills and competencies of OIG's current workforce to the forecasted needs in FY 2004 and FY 2005.

◆ As of the end of FY 2003, OIG identified four positions as "incumbent only," to be reclassified to lower grade levels upon the departure of the current incumbents.

◆ The combination of the Project Tracking System—implemented in FY 2001—and the OTS allows OIG to manage its resources more efficiently and effectively, and to monitor the timeliness and costs of its projects and support activities.

APPENDIX B: FY 2003 REPORTS ISSUED IN SUPPORT OF OIG STRATEGIC GOALS

During FY 2003, OIG issued the following reports in support of its Strategic and Performance Goals.

WORK SUPPORTING STRATEGIC GOALS

FOREIGN POLICY

◆ Post/Bureau/Office Management Inspections and Compliance Follow-up Reviews
◆ Review of Domestic Passport Operations, Phase II: Fraud Prevention Programs
◆ Diversity Visa Program Memorandum Report
◆ Cumulative Effects of Munitions Exports
◆ Review of Nonimmigrant Visa Issuance Policy and Procedures
◆ Review of the Effectiveness and Implementation of Office of Cuba Broadcasting's New Program Initiatives
◆ Survey of the Merger of WorldNet Television with the Voice of America
◆ Review of Radio Free Asia Activities

SECURITY

◆ Security and Intelligence Oversight Inspections and Compliance Follow-up Reviews
◆ Security Evaluation on Control of Communications Security Materials and Electronic Storage
◆ Secure Shipment of Classified Information Processing Equipment
◆ Follow-up Review of the Unit Security Officer Program
◆ Status Report on Protection of Classified Documents at State Department Headquarters
◆ Review of the Information Security Program at the Broadcasting Board of Governors
◆ Information Security Inspection Evaluations

FINANCIAL MANAGEMENT AND ADMINISTRATIVE SUPPORT

◆ Improved Approach Needed to Achieve Government Paperwork Elimination Act Objectives
◆ The Foreign Affairs System Integration Project Needs Redirection
◆ Knowledge Management at the Department of State: Learning from Successful Principles and Practices
◆ Review of Financial Assistance Management
◆ Review of Department of State's Bogotá Vehicle Procurement
◆ Audit of U.S. Department of State 2002 and 2001 Principal Financial Statements
◆ Domestic Travel Card Program
◆ Review of Energy Conservation
◆ Audits of the Department's Financial Statements for FY 2002
◆ Post Assignment Travel Memorandum Report
◆ OPM Application of Agreed-Upon Procedures
◆ Information Technology Vulnerability Assessment of the International Cooperative Administrative Support Services System
◆ Audit of the International Cooperative Administrative Support Services' 2001 and 2000 Principal Financial
◆ Agreed-Upon Procedures Report on Federal Intragovernmental Activity and Balances
◆ Agreed-Upon Procedures Report on Federal Agencies' Centralized Trial Balance System
◆ Attestation Review of Annual Accounting of Drug Control Funds for FY 2002
◆ Cost of Living Allowance
◆ Assessment of the Department of State's Connection Approval Process, Independent Validation and Verification Protocol, and System Certification and Accreditation Process
◆ Independent Accountant's Report on Application of Agreed-Upon Procedures to a Proposal Submitted by J.A. Jones Construction to U.S. Department of State in Response to U.S. Department of State Request for Solicitation No. S-LMAQM-00-C-6035 05/03
◆ Information Technology Vulnerability Assessment of the HYPERION Financial Management Application
◆ International Boundary and Water Commission, United States and Mexico, U.S. Section, Financial Statements, FY 2002
◆ Survey of Department Compliance with the Federal Activities Inventory Reform Act of 1998
◆ Audit of the International Joint Commission's 2001 and 2000 Principal Financial Statements
◆ U.S. Direct Assistance to Colombian National Police
◆ Inspection of Helsinki Regional Monitoring Office
◆ Review of the BBG Monitoring of Contractor Performance
◆ Review of Strategic Management of Human Capital and Workforce Planning Initiatives at the Broadcasting Board of Governors
◆ Management Review of Selected Benefits for Radio Free Europe/Radio Liberty Employees

WORK SUPPORTING STRATEGIC GOALS *Continued*

ACCOUNTABILITY

◆ Audit of Costs Claimed by the Open Society Institute Under Selected U.S. Department of State Awards
◆ Review of Allegations Regarding Office of Foreign Missions Information Systems Procurements
◆ Review of Allegations Regarding the Office of Humanitarian Demining Programs
◆ Review of Allegations Regarding the Office of Humanitarian Demining Program's Contract for Integrated Mine Action Services
◆ Review of Selected Awards to Youth For Understanding, Inc.
◆ Follow-up Review of Project Harmony, Inc.
◆ Audits of Selected Grantees and Contractors (Continuous)
◆ Report of Audit of Costs Claimed by the International Research and Exchange Board
◆ Embassy Khartoum Fiscal Irregularity
◆ Review of Legal Services Contract
◆ Follow-up Review of the Institute of International Education
◆ OIG Investigations and Audits or Other Reviews in Support of Investigative Activities

APPENDIX C: FY 2003 REPORTS ISSUED IN SUPPORT OF THE PRESIDENT'S MANAGEMENT AGENDA

During FY 2003, OIG continued to focus work on the five government-wide initiatives of the President's Management Agenda, as well as the program-specific initiative to rightsize the U.S. government's overseas presence. The table below identifies activities undertaken and reports issued by OIG during the fiscal year that support these initiatives.

OIG WORK ADDRESSING PMA INITIATIVES

EXPANDED ELECTRONIC GOVERNMENT

◆ Improved Approach Needed to Achieve Government Paperwork Elimination Act Objectives
◆ The Foreign Affairs Systems Integration Project Needs Redirection

IMPROVED FINANCIAL PERFORMANCE

◆ Domestic Travel Card Program
◆ Financial Statement audits required under the Chief Financial Officers Act of 1990
◆ Audits of Department and BBG Contractors and Grantees
◆ Review of Financial Assistance Management
◆ Data Reviews, Quality Control Reviews, and Contract Audit Services
◆ Post Assignment Travel
◆ U.S. Direct Assistance to Colombian National Police
◆ Review of Energy Conservation

BUDGET, STRATEGIC, AND PERFORMANCE INTEGRATION

◆ Financial Statement audits

STRATEGIC MANAGEMENT OF HUMAN CAPITAL

◆ Review of Nonimmigrant Visa Issuance Policy and Procedures
◆ Review of Domestic Passport Operations Phase II: Fraud Prevention Program
◆ Review of Strategic Management of Human Capital and Workforce Planning Initiatives at the Broadcasting Board of Governors

COMPETITIVE SOURCING

◆ Survey of Department Compliance with the Federal Activities Inventory Reform Act of 1998

RIGHTSIZING OF U.S. OVERSEAS PRESENCE

◆ Reviewed as an area of emphasis during 36 post management inspections conducted in FY 2003

APPENDIX D: LIST OF ABBREVIATIONS

A/Ps	Activities and Programs
ACDA	Arms Control and Disarmament Agency
ADM	Office of Administration
BBG	Broadcasting Board of Governors
AUD	Office of Audits
CATS	OIG Compliance Analysis Tracking System
COMSEC	communications security
D&CP	Diplomatic and Consular Programs
EOD	explosive ordnance detection
FY	fiscal year
IBO	Office of International Broadcasting Oversight
GPEA	Government Paperwork Elimination Act
ICASS	International Cooperative Administrative Support Services System
INV	Office of Investigations
IRM	Bureau of Information Resource Management
ISP	Office of Inspections
IT	Office of Information Technology
NIV	nonimmigrant visa
OCB	Office of Cuba Broadcasting
OIG	Office of Inspector General
OTS	OIG Timesheet System
PART	Program Assessment Rating Tool
PTS	Project Tracking System
PL	Public Law
PMA	President's Management Agenda
PUSO	principal unit security officers
Results Act	Government Performance and Results Act of 1993
RFA	Radio Free Asia
SCI	sensitive compartmented information
SIO	Office of Security and Intelligence Oversight
USO	unit security officers

Report Fraud, Waste, and Abuse to:

Office of Inspector General HOTLINE
P.O. Box 9978
Arlington, Virginia 22219
202-647-3320
800-409-9926

Additional information regarding OIG's mission, activities, and publications is available on the OIG website:

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