



U.S. DEPARTMENT OF STATE AND THE  
BROADCASTING BOARD OF GOVERNORS

# OFFICE OF INSPECTOR GENERAL

PROGRAM PERFORMANCE REPORT  
FISCAL YEAR 2005



*Transformational Diplomacy*

E F F E C T I V E   M A N A G E M E N T  
A C C O U N T A B I L I T Y  
P O S I T I V E   C H A N G E

## OIG Strategic and Performance Goals and FY 2005 Results

Strategic Goal	Performance Goals	Measure	Target	Actual	Comparison with FY 2004 Results	FY in which target will be met
<i>The Department and the BBG effectively, efficiently, and economically advance the foreign policy interests of the United States.</i>	Improve the operations of overseas missions, domestic bureaus, and international broadcasting activities through inspections, audits, and program evaluations.	1. Number of missions and bureaus inspected	49	50 (A)	The Same	
		2. Number of reports issued on systemic issues and programs	11	15 (SA)	Significantly Better	
		3. % of recs. resolved in 6 months	80%	78% (B)	Significantly Worse	FY 2006
		4. % of significant recs. resolved in 6 months	75%	80% (A)	Slightly Better	
<i>The Department and the BBG adequately protect the people, information, and facilities under their control in the United States and abroad.</i>	Assess security for personnel, facilities, and information at Department and BBG facilities worldwide and ensure that necessary corrective actions are implemented.	5. Number of security reports issued	12	16 (SA)	Significantly Better	
		6. Percent of recs. resolved in 6 months	80%	72% (SB)	Slightly Worse	FY 2006
		7. Percent of significant recs. resolved in 6 Months	75%	80% (A)	Significantly Better	
<i>The Department and the BBG have the necessary systems and controls to meet legal and operational requirements.</i>	Identify vulnerabilities in Department and BBG financial and administrative support programs and recommendations to improve them.	8 Reports Issued on programs reviewed	25	36 (SA)	Significantly Worse	
		9. Percent of recs. Resolved in 6 Months	68%	45% (SB)	Significantly Worse	FY 2006
		10. Percent of significant recs. Resolved in 6 months	50%	30% (SB)	Significantly Worse	FY 2006
	Evaluate Department and BBG progress in addressing priority issues such as the Secretary's management priorities, major management challenges, high-risk areas, performance measurement, and the President's Management Agenda.	11. Percent of major management challenges addressed in OIG reports	80%	100% (SA)	No data for FY 2004	
<i>The Department and the BBG ensure accountability and prevent or eliminate fraud, waste, abuse, and mismanagement in programs and operations.</i>	Identify potential monetary and nonmonetary benefits resulting from audit, inspection, program evaluation and investigative findings concerning fraud, waste, abuse, and mismanagement and improve the efficiency of Department operations and compliance with applicable contract and grant agreements.	12. Return on Investment for Audits (\$ returned for \$ invested)	\$1.10	\$5.01 (SA)	Significantly Better	
		13. Value of Cost Savings, Efficiencies, Recoveries, and Fines	\$8.6 million	\$31.5 million (SA)	Significantly Better	
	Promote professional and ethical conduct and accountability; and investigate fraud, waste, abuse, and mismanagement.	14. Number of activities focused on key Department vulnerabilities	13	27 (SA)	No data for FY 2004	
		15. % of reports of investigation issued within 6 months	60%	100% (SA)	No data for FY 2004	
	<i>Internal Enabling Goal</i>	Ensure employees have the professional skills and expertise necessary to fulfill OIG's mission and goals.	16. % of staff completing required leadership and management training	75%	77% (A)	No data for FY 2004
Continuously improve OIG products and processes for maximum impact in meeting customer needs.		17. % of customers rating OIG work as having a significant impact in improving operations	Develop Baseline	Survey Development Deferred (SB)	No data for FY 2004	FY 2006
		18. Average number of days for inspections	180	188 (B)	Slightly Worse	FY 2006
		19. Average number of days for audits	240	230 (A)	Significantly Better	

(SA)=Significantly Above, (A) = Above, (O) = On Target, (B) = Below, (SB) Significantly Below

## Message from the Inspector General

I am pleased to present the Office of Inspector General's (OIG) Program Performance Report for Fiscal Year 2005. This is OIG's seventh annual Performance Report, but it is my first since becoming Inspector General in May 2005. It describes our success in achieving our goals and performance targets, the outcomes that have resulted from our efforts, and the accomplishments that will produce additional results in the years to come.



OIG was established to prevent and detect waste, fraud, abuse and mismanagement in and to improve the efficiency, effectiveness, economy, integrity and accountability of the Department of State and, subsequently, the Broadcasting Board of Governors (BBG). We provide oversight through independent, objective, and professional assessments of their operations and activities and, where appropriate, make recommendations to improve them.

We also provide consultative services and work with them in specific endeavors that will serve the public good. We contribute to the Secretary's transformational diplomacy goals by assessing how missions around the world, at a time more and more is being asked of them, are succeeding in promoting democracy and supporting other transformational diplomacy initiatives.

By all the yardsticks used to measure ourselves—our performance results, the positive change our oversight helps bring to the Department and the BBG and their efforts to achieve their missions and goals, and the benefits these efforts provide to the President, the Congress and the American people—this was a successful year and provides evidence of the substantial value and return on investment OIG brings in monetary savings to the government; improved efficiency, effectiveness, economy, and integrity of Department and BBG operations; and increased safety, quality of life, and accountability of their personnel.

Highlights of the results of our efforts include actual recoveries and savings of \$8.6 million and potential savings of \$29 million more in questioned costs and funds put to better use; the merger of the Department's Bureau of Arms Control and Nonproliferation and significant changes to the Bureau of Verification; the resignation of the commissioner of a U.S. Commission following a critical OIG inspection; recommended improvements to the Iraqi Police Training Program and the support provided to and staffing of Embassy Baghdad; and the establishment, in coordination with other Department bureaus, of an initiative to strengthen border security by targeting individuals using identity theft to obtain U.S. passports

We are pleased with these results, but not content. We are committed to providing even more—and more significant—results and benefits in the future for the Department, the BBG, the Congress and the American public.

A handwritten signature in blue ink that reads "Howard J. Krongard".

Howard J. Krongard  
Inspector General



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

**VISION**

*To be a world-class organization promoting effective management, accountability, and positive change in the Department of State, the Broadcasting Board of Governors, and the foreign affairs community.*

**MISSION**

*The Office of Inspector General conducts independent audits, inspections, and investigations that advance the missions of the Department of State and the Broadcasting Board of Governors. OIG provides leadership to: promote integrity, efficiency, effectiveness and economy; prevent and detect waste, fraud abuse and mismanagement; identify vulnerabilities and recommend constructive solutions; offer expert assistance to improve Department and BBG operations; communicate timely, useful information that facilitates decision-making and achieves measurable gains; and keep the Department, BBG and the Congress fully and currently informed.*

**OIG Strategic and Performance Goals**

The Government Performance and Results Act of 1993 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 and mission statements and strategic and performance goals and to submit individual performance plans and reports along with those of the Department of State.

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## Management's Discussion and Analysis

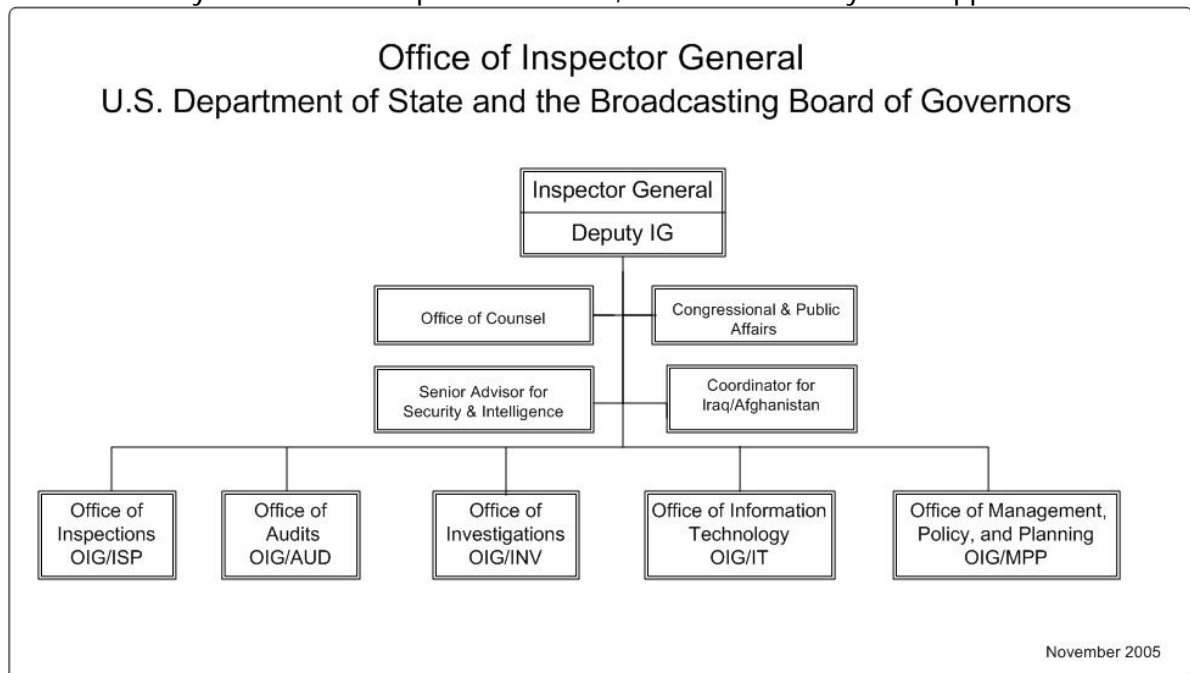
### OIG Responsibilities and Organization

#### Responsibilities

The mission of the Office of Inspector General (OIG) is to conduct independent audits, inspections, and investigations that advance the missions of the Department of State (Department) and the Broadcasting Board of Governors (BBG). As required by law, OIG provides independent, objective, and professional oversight of these operations and activities through a rigorous program of inspections, audits, special reviews, and investigations. It is OIG's responsibility to examine, evaluate, and critique these operations and activities, recommending ways for these agencies to carry out their respective responsibilities in the most efficient, effective, and economical manner possible, and always with integrity. No other single entity or combination of organizations within either agency can perform these functions with such objectivity, extent, range and diversity of scope, or can bring to these functions such a level of professional standards, disciplines, and expertise.

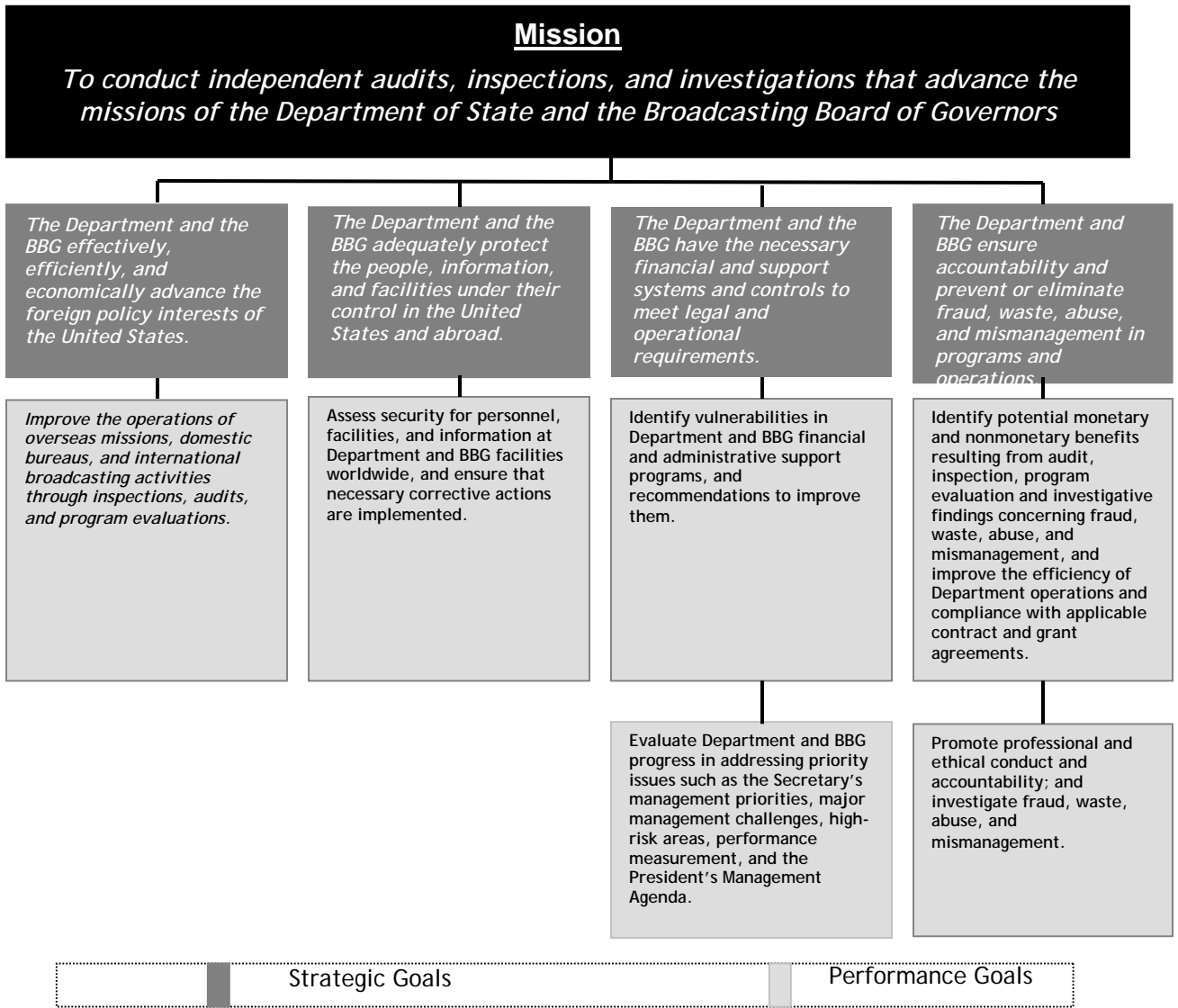
#### Organizational Structure

All OIG operations are located in the Washington, D.C., area, although OIG staff conduct their work at Department and BBG locations worldwide. A reorganization of OIG became effective in April 2005. As shown in the organizational chart below, OIG's mission is carried out by four functional offices (Audits, Information Technology, Inspections, and Investigations) and the Office of Management, Policy and Planning for internal operations, each headed by an Assistant Inspector General, and four advisory and support offices.



## Strategic and Performance Goals

The Government Performance and Results Act of 1993 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 and the BBG, OIG has a vision, a mission, and strategic and performance goals and individual performance plans and reports. However, because our success is ultimately reflected in the agencies' success in achieving their missions and goals, our goals are expressed in terms of outcomes that support the agencies' efforts to carry out their operations with integrity, accountability, and efficiency.



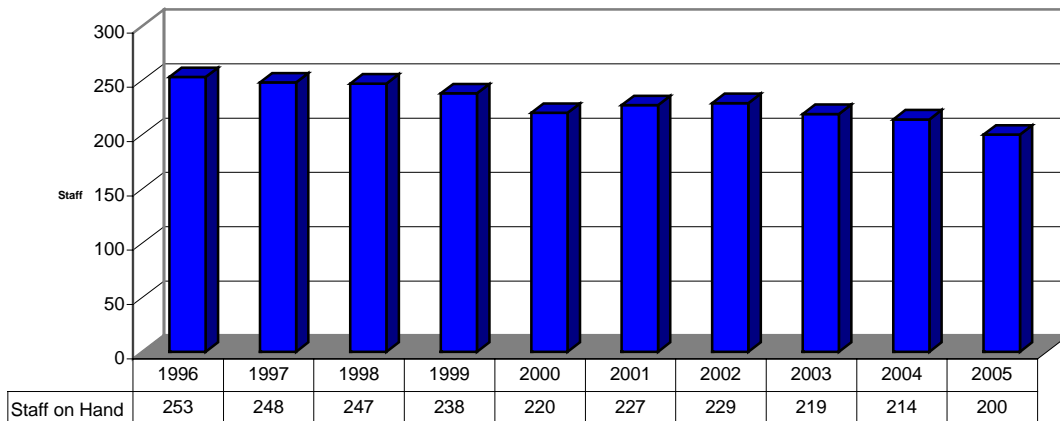


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**OIG Human Resources**

OIG’s workforce consists of approximately 200 employees in the Civil and Foreign Service. Full-time, permanent staff are supplemented by retired Foreign and Civil Service annuitants and external contractors, as necessary. Since FY 1996, the total number of OIG employees has decreased by almost 20 percent, while the Department has increased the number of its employees by 25 percent, straining considerably OIG’s oversight capacity.

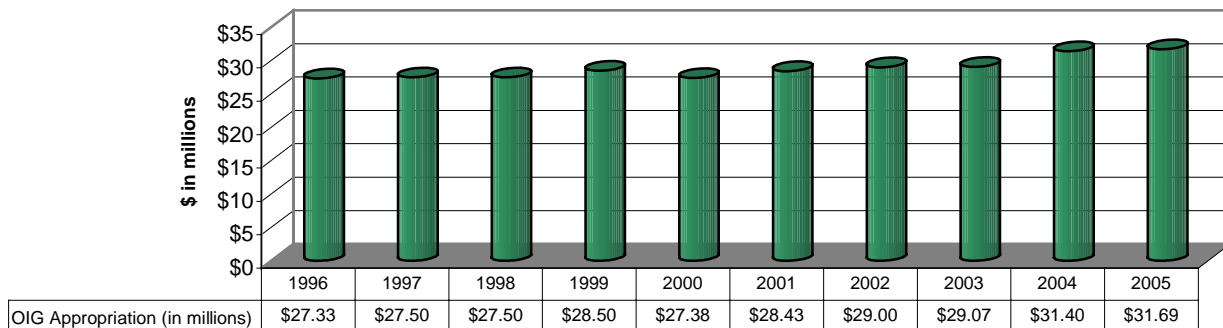
**Staff on Hand at end of Fiscal Year for Fiscal Years 1996 - 2005**



**OIG Budget**

OIG’s budget has been relatively unchanged (a 15 percent increase, unadjusted for inflation) from the time of the FY 1996 merger with the OIG of the United States Information Agency until FY 2004, when OIG received an increase of approximately \$2.3 million. This was followed by a reduction of \$1.4 million in FY 2005, which was subsequently increased by \$1.69 million in supplemental funding for work related to Iraq.

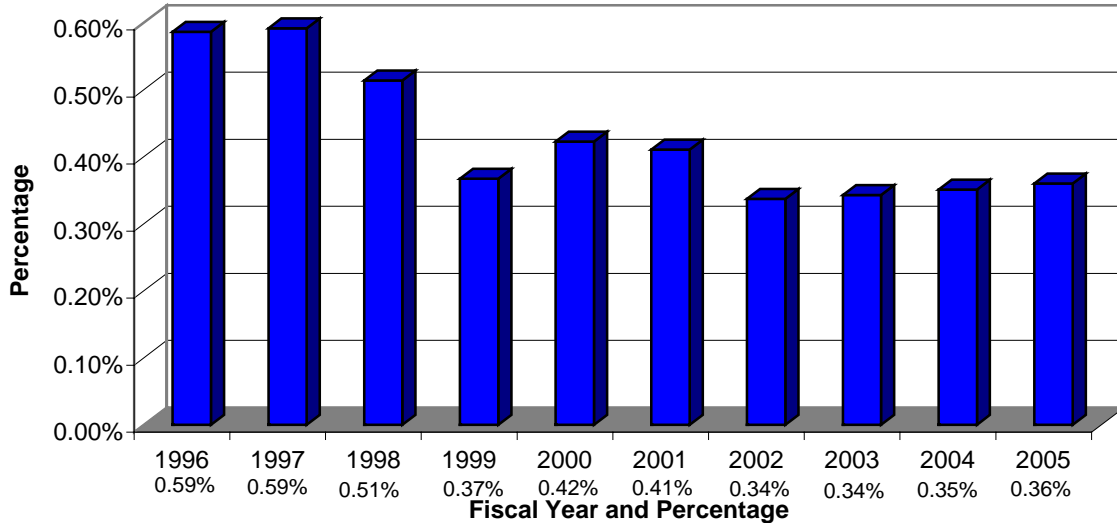
**OIG Appropriation History for Fiscal Years 1996 - 2005**



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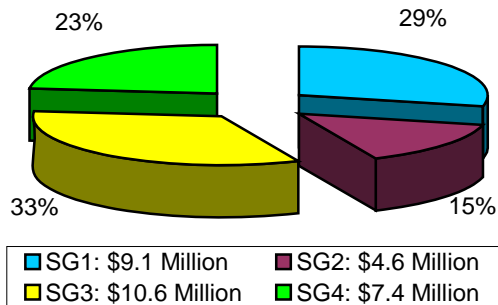
During the same period, the Department's overall appropriations have increased almost 92 percent. OIG's appropriation, as a percentage of the Department's appropriation, has decreased from almost 0.59 percent to 0.36 percent. Increasing costs—particularly per diem and airfare for overseas travel—and a shrinking workforce (85 percent of OIG's budget is consumed by salaries and benefits) make it increasingly difficult for OIG to meet its oversight responsibilities, resulting in reductions to the amount of work that can be performed and performance targets.

**OIG Appropriations as a Percentage of Department Appropriations**

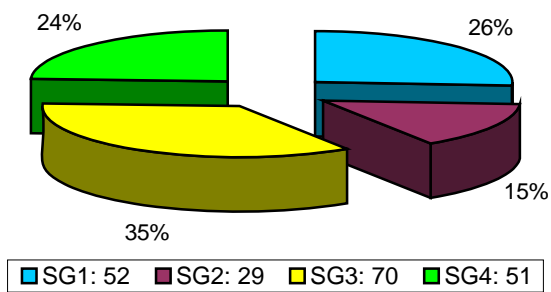


**Resources Supporting Strategic Goals**

**Budget \$ Expended in Support of Each Strategic Goal**



**Staff Supporting Each Strategic Goal**



## **Performance Summary and Highlights**

### **Most Important Results**

During FY 2005, OIG findings and recommendations prompted actions taken by the Department and BBG that produced significant results. These included improved verification procedures and quality controls to ensure that only American citizens received U.S. passports, better protection of classified information and materials, and improvements in the integrity, accuracy, and reliability of financial management and other information systems. OIG audit and investigative activities also improved accountability for Department employees, contractors, and grantees; identified potential cost benefits; and reduced fraud and other violations of law and regulation. Highlights of some of our most important results are shown below by strategic goal.

#### **SIGNIFICANT RESULTS IN RESPONSE TO OIG REPORTS AND INVESTIGATIONS**

##### **Foreign Policy**

- The merger and reorganization of the Bureaus of Arms Control and Nonproliferation and the expanded mandate of the Bureau of Verification and Compliance
- The resignation of a commissioner of a U.S. Commission following a critical OIG inspection.
- Improved program coordination between regional bureaus and the Bureaus of Educational and Cultural Affairs and International Information Programs
- More timely processing of exchange visitor visas

##### **Security**

- Removal of information from embassy websites and publications that increased vulnerability of U.S. citizen faculty and students at overseas schools to anti-American violence and terrorism
- The physical relocation of and the reduction of security vulnerabilities at Embassy Amman's Iraq Support Unit
- Improved border security because of a strengthened nonimmigrant visa referral process
- Creating a condensed version of guidelines for perimeter site lighting to assist regional security officers at all worldwide locations and instructing them to work with their regional security engineering officer to perform a lighting survey
- BBG reconsideration of how it performs Federal Information Security Management Act and information management oversight and reorganization of its approach so that Information Technology systems at transmitting stations are managed centrally

##### **Financial Management and Administrative Support**

- Recovery by the Department of \$3.5 million in deobligated funds from an overseas security construction upgrade project, that were subsequently used to fund other security upgrades
- Reimbursements of approximately \$685,000 for diesel fuel overcharges at the Jordan International Police Training Center
- Savings of over \$250,000 in the cost of a new contract for cellular services at an overseas mission
- Significantly improved support to Embassy Baghdad from Embassy Amman, including better communications between Amman's Iraq Support Unit (ISU) and Baghdad and better trained and more effective ISU staffing
- Establishment of a committee for financial assistance to ensure adequate controls for awarding, monitoring and accounting for Federal assistance, including joint work with the United States Agency for International Development to establish a system of accounting for federal assistance

##### **Accountability**

- Recovery of nearly \$2 million in questioned costs from a Department contract for Afghanistan protective services
- Savings of \$1.3 million in contract costs resulting from a double-billing error by a contractor
- 20 judicial actions, 22 administrative actions, and more than \$900,000 in fines and recoveries

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**Key Achievements and Accomplishments**

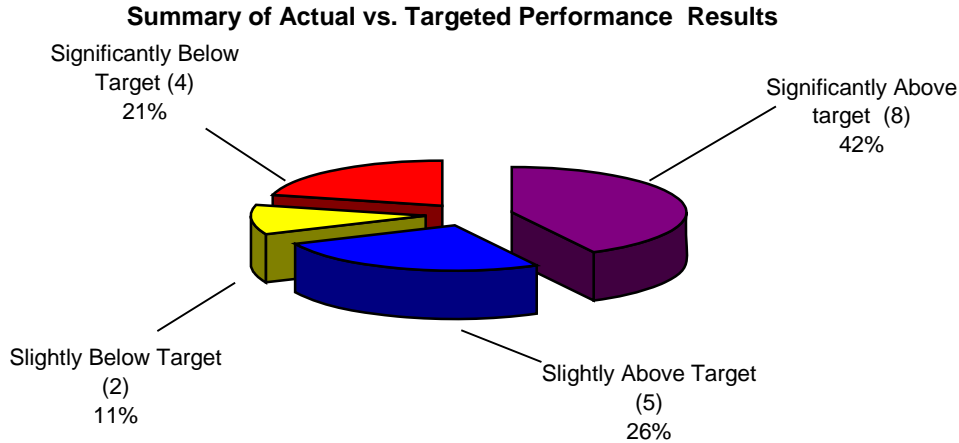
FY 2005 was a very successful year in terms of the overall influence that OIG's work had on Department and BBG programs, operations, and activities. OIG issued almost 150 reports of audits, inspections, and other reviews of Department and BBG programs, operations, activities, contracts, and grants. Where appropriate, the reports contained findings and recommendations identifying problems, deficiencies, and vulnerabilities and recommended corrective actions to rectify them and to prevent them from occurring in the future. The table below highlights the expected results of these key findings and recommendations.

<b>Key FY 2005 Achievements, Accomplishments &amp; Expected Future Results</b>
<b>Foreign Policy</b>
<ul style="list-style-type: none"><li>• Issuing a joint Department of Defense-State OIG assessment of Iraqi Police Training recommending greater involvement of Iraqi officials in all aspects of training and shifting the emphasis from the numbers trained to the quality of training, which will significantly refocus the emphasis of costly but critically important training programs and improve their outcomes</li><li>• Identifying potential savings to the Department of \$600,000 by consolidating administrative support services at Embassy Paris</li><li>• Recommending more and better coordination, interaction, and integration between the missions' public affairs officers and those of other foreign affairs agencies at post, which will lead to more consistent and orchestrated public diplomacy</li></ul>
<b>Security</b>
<ul style="list-style-type: none"><li>• Partnering OIG investigators with the Bureaus of Consular Affairs and Diplomatic Security, the Department of Justice, and other agencies in a proactive effort, known as Passport Sentinel, that strengthens border security by identifying individuals using illegal methods to obtain U.S. passports</li><li>• Recommending improvements to post emergency action plans that will improve emergency preparedness and the safety of U.S. personnel and citizens abroad</li><li>• Highlighting the need for better coordination among bureaus that have information security functions consistent with the responsibilities of the Chief Information Officer in order to improve information security in the Department</li></ul>
<b>Financial Management and Administrative Support</b>
<ul style="list-style-type: none"><li>• Identifying untapped rightsizing and regionalization opportunities and redundant administrative operations and making recommendations to address them that will reduce costs and security vulnerabilities and improve operations</li><li>• Identifying a potentially material understatement of extensive aircraft and spare parts inventory that could affect the Department's previously issued FY 2004 financial statements, resulting in more accurate financial statements</li></ul>
<b>Accountability</b>
<ul style="list-style-type: none"><li>• Identifying potential savings of \$7.2 million in questioned costs and funds put to better use beyond those identified under other goals that will produce a more efficient use of government funds</li><li>• Recommending improvements to strengthen the vetting procedures for gaining admittance into the Exchange Visitor Program, which will increase the Department's ability to monitor compliance and abuse by designated sponsor organizations</li></ul>

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**Summary of Results of Performance Indicators and Targets**

The following chart shows the ratings distribution for all performance results reported in FY 2005. As shown below, 68 percent of the results were on or above target.

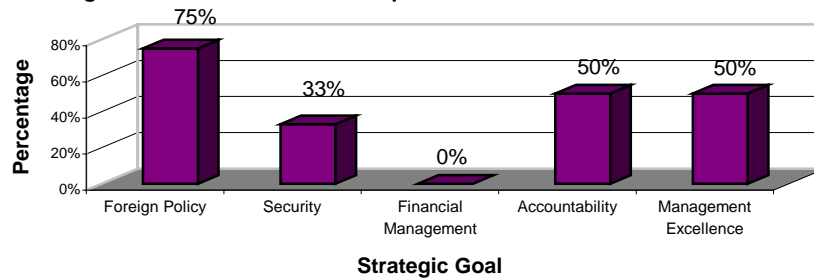


**Comparison of FY 2005 Results with Those of Prior Years**

In FY 2005, 68 percent of OIG's performance results met or exceeded performance targets. This represents a significant improvement over FY 2004, when 41 percent of results met or exceeded performance targets and is higher than the prior OIG best of 58 percent in FY 2003. Additionally, 57 percent of the FY 2005 results exceeded FY 2004 results.

OIG's most successful performance target results were under its strategic goals for Accountability, Foreign Policy, and Security. FY 2005 results for these goals exceeded 100 percent, 75 percent and 67 percent, respectively of their targets. The results for the strategic goal related to Financial Management and Administrative Support and the internal goal in support of Management Excellence, were less successful, falling short of targeted levels. However, as shown in the bar graph below, 75 percent of the results for Foreign Policy, 50 percent of the results for Accountability and Management Excellence, and 33 percent of the results for Security exceeded the best results of prior years.

**Percentage of FY 2005 Results that Equaled or Exceeded the Best Results of Prior Years**



### Reasons for Results Shortfalls

There were three significant factors for why performance targets were not met.

- The suspension, deferment, or cancellation of planned work due to unanticipated resource constraints resulting from significantly increased travel costs, a declining dollar, and a decline in staff on board due to high attrition and budgetary shortages;
- Department and BBG failing to ensure timely agreement with recommended corrective actions; and
- Targets based solely on meeting or exceeding the highest prior targeted or actual results, when it was unlikely that they could be achieved.

### Unmet Targets

OIG did not meet six targets in FY 2005. Four of these relate to the resolution of recommendations within six months, one to developing a baseline for a customer survey, and one for completing inspections and program reviews, on average, within 180 days. OIG expects to achieve or exceed targeted levels in FY 2006 by focusing additional emphasis on compliance and receiving a full year's benefit of the efficiencies and process improvements resulting from the OIG's FY 2005 reorganization.

In addition, in the FY 2004 Performance Report, OIG identified six performance targets that were not achieved in FY 2004 that it expected to achieve in FY 2005. Two of these—the number of security-related reports issued (16 vs. the FY 2004 target of 9) and the identified potential monetary savings (\$31.5 million vs. the FY 2004 target of \$8.6 million)—were achieved in FY 2005. One—the percentage of security recommendations resolved within six months (45 percent vs. a FY 2004 target of 87 percent)—was not achieved. Three of the performance measures—percentage of significant foreign policy recommendations closed within one year, percentage of security recommendations closed within one year, and percentage of projects completed within 183 days—were dropped and replaced by other measures and targets for FY 2005. OIG exceeded the FY 2004 target for the first of these but missed the FY 2004 targets of the other two.

### Meeting Continuing Challenges

OIG continues to face three major challenges to achieving its strategic and performance goals:

- Obtaining the funding necessary to overcome a decade of static appropriations that has eroded OIG's oversight capabilities as its funding relative to that of the Department declined by over 30 percent;
- Meeting oversight responsibilities that are ongoing (such as the legislatively mandated five-year inspection schedule) and new (such as activities related to Iraq and Afghanistan) in an environment of increasing costs and declining resources; and
- Identifying, attracting, and retaining personnel with the requisite skills, abilities, and experience.

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OIG will meet these challenges by actively making its case for the resources it needs to meet its oversight responsibilities while continuing its efforts to use the resources it has more efficiently and effectively. The reorganization that OIG introduced in FY 2005 combined related operations, flattened operations and structure and reduced redundant layers of management. It will be further refined to build on these benefits.

Resource and time-intensive, paper-driven processes such as those related to inspection surveys, audit work papers, and OIG reports will be replaced or supplemented by electronic ones that are more cost-effective and make information easier and faster to use, store, and share. Accessing available Department and BBG data electronically from Washington, rather than traveling to posts to collect it, will become the rule rather than the exception. The scope, frequency, and priority of audits and inspections will be determined by a risk-based analysis rather than traditional methodologies.

Where appropriate, OIG will coordinate or participate in reviews with other OIGs to leverage resources and results. OIG staff will be encouraged to obtain professional certifications, to receive training that will allow them to become more expert in their own specialties and cross-trained in others, and to develop their leadership skills and abilities. OIG will meet its challenges by becoming more efficient, more effective and, for those who work there, more rewarding.

### Program Evaluations

During FY 2005, OIG underwent one program evaluation, an external peer review of the Office of Investigations conducted by the Tennessee Valley Authority's OIG (TVA/OIG). The objective of the review was to determine whether internal control systems were in place and operating effectively to provide reasonable assurance that professional investigative standards are being followed. All of the review steps and guidelines were based on the President's Council on Integrity and Efficiency (PCIE) Quality Standards for Investigations, and a copy of the review findings was sent to the Attorney General. TVA/OIG made suggestions for improvement of OIG's investigative process, which the Office of Investigations has begun implementing. The next such peer review is scheduled to take place in FY 2008.

### Program Assessment Rating Tool and the President's Management Agenda

In support of broader administration priorities, OIG contributes to the schedule of program evaluations and Program Assessment Rating Tool (PART) reviews carried out by the Department and the Office of Management and Budget (OMB) and evaluates Department and BBG progress in implementing the President's Management Agenda (PMA)—particularly rightsizing of the U.S. overseas presence, expanded e-government, and improved financial performance. Following OMB guidance, OIG itself is not subject to the PART. However, during FY 2005 OIG implemented several internal initiatives supporting the PMA including:

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**Strategic Human Capital**

- Reorganized organizational structure, eliminating three offices and AIG positions
- Integrated post management, security, and information technology (IT) inspection functions

**Competitive Sourcing**

- Identified 10 percent of OIG positions as eligible for outsourcing
- Used competitively sourced contractors and temporary employees to supplement or replace fulltime staff in the areas of financial statement and contract and grants audits, IT support, and inspections

**Financial Management**

- Met the accelerated deadline for the Department's Financial Statements

**Budget-Performance Integration**

- Provided oversight that aided the Department in reaching the "Green" level

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**Changes to FY 2006 Goals, Indicators, and Targets**

In light of its likely FY 2006 appropriation, FY 2005 results, changing world conditions, and rising costs, OIG is reviewing its FY 2006 performance plan. OIG anticipates revising several of the indicators and targets by the time it receives its appropriation and finalizes its FY 2007 performance budget.



## How Performance Is Assessed

### Six-Tiered Performance Management Methodology

Like the Department, OIG is committed to, and focused on, using its funds to produce successful results. To do so, OIG uses a six-tiered performance management methodology. All of OIG's strategic goals support the Department's strategic objective to "Strengthen Diplomatic and Program Capabilities." Because all OIG indicators focus on quantifiable results, OIG also reports major accomplishments and results noting specific activities and results not captured by its indicators that contribute to the achievement of its strategic goals. The component tiers of OIG's performance management methodology are defined as follows:

**Strategic Goals:** OIG's four long-term goals, as detailed in its Strategic Plan.

**Performance Goals:** The desired annual results that OIG expects to achieve, which are necessary to attain the strategic goals. OIG has eight performance goals and two internal enabling goals.

**Performance Indicators:** Values and characteristics that OIG uses to measure progress achieved toward its stated annual performance goals including: reports issued; percentage of recommendations resolved; management challenges addressed; return on investment for audits; monetary savings and efficiencies identified; timeliness of audits, inspections, and investigations; percentage of staff completing training requirements; and responses to customer surveys.

**Performance Targets:** Quantifiable expressions of desired performance levels and results for a given fiscal year.

**Major Accomplishments:** Activities, outputs and interim outcomes—such as specific reports issued, recommendations made, or Department and BBG promises to take actions in response to OIG activities—of particular significance or noteworthy impact.

**Results of Our Work:** Actions taken by the Department, BBG, or other entities in response to OIG reports, recommendations, and other efforts and activities; outcomes that benefit the U.S. government and the American people.

### Performance Reporting Components

Because OIG's FY 2005 Performance Report is presented in conjunction with the Department's Performance and Accountability Report, and to better demonstrate the alignment of OIG's results with the mission of the Department, OIG's presentation and format mirrors that used by the Department, to the extent appropriate.

**Results Presented in Concise Strategic Goal Chapters:** OIG has adopted a format that provides a context for the results and links them to public benefits and resource investments.

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Section Title	Description and Purpose
Public Benefit	A concise narrative of how the goal and its results contribute to improving the Department and benefit the American taxpayer.
Selected Results and Accomplishments	Significant outcomes resulting from Department and BBG actions taken in response to OIG findings and recommendations.
Performance Summary and Trends	A graphic summary of results achieved for the strategic goal and four-year trend data
Resources Invested	A summary of resources (dollars and people) devoted to the pursuit of the goal, including a comparison of resources invested for FY 2004 and FY 2005.
Performance Results	Results history/trend, together with the current rating and a short impact statement, for each of the FY 2005 results achieved.

**Performance Indicators and Targets:** All of the targets were either maintained at FY 2004 levels or increased for FY 2005. In addition, some indicators used in FY 2004 were dropped and some new ones for FY 2005 were added.

**Performance Rating System:** OIG has adopted a rating system that is a modified version of that developed by the Department. Results between the targeted level and five percentage points above or below the targeted level are considered to be, respectively, "slightly" above or below. Results of six percentage points more or less than the targeted level are considered to be "significantly" above or below the target level.

**Results Appendix:** The overview and strategic goal chapters have been supplemented by an appendix showing the reports that were issued by OIG during FY 2005 in support of each of its strategic goals, as well as work that addresses the initiatives of the President's Management Agenda.

### Performance Rating System

As part of OIG's efforts to better demonstrate the relationship of its results to the Department's and provide a common frame of reference, OIG adopted substantially the same rating system used by the Department to assess its performance results against established targets. This results-rating methodology enables OIG to evaluate systematically progress toward the targets set in its FY 2005 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, OIG can establish a common basis for evaluating and communicating its success in meeting its goals.

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Performance Rating	Significantly Below Target	Slightly Below Target	On Target	Above Target	Significantly Above Target
Criteria	Parameters				
Target Status	Missed FY 2005 target by more than 5 percent	Missed FY 2005 target by 5 percent or less	Met FY 2005 target	Exceeded FY 2005 target by 5 percent or less	Exceeded FY 2005 target by more than 5 percent
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

### Performance Data Quality and Limitations

The performance data in the FY 2005 report are the most complete and accurate data in any of the six performance reports issued under the Results Act and meet the standards for reliability contained in OMB Circular A-11.

### Verification

Performance indicators are verified in a variety of ways, as appropriate for each indicator.

- Each Assistant Inspector General (AIG) attests to the accuracy and completeness of the data for which he or she is responsible and which is reported in this report that is related to their respective office's activities and results before this report is finalized.
- Staff from the OIG's Office of Executive Director audit the data used in this report to verify its completeness and accuracy before the report is finalized.
- Some indicators, including those related to completion of a specific activity, such as conducting a review, are self-measuring and require little verification and validation, beyond confirmation that the activity has been completed satisfactorily.
- Indicators involving recommendations resolved are based on compliance information tracked in OIG's Compliance Analysis Tracking System (CATS) database, which allows OIG to analyze progress and trends in the resolution and implementation of OIG recommendations. The status of recommendations is verified periodically with Department and BBG offices responsible for addressing the recommendations and with OIG offices responsible for evaluating and tracking compliance with them.

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- Financial indicators are based on the mandated measures for audit and investigative operations set forth in the Inspector General Act. The figures are based on results provided by the responsible offices, which are tracked in CATS and reported in the Semiannual Report (SAR) to the Congress and the Annual Report of the President's Council on Integrity and Efficiency (PCIE).
- Performance data for investigative measures are tracked in OIG's Case Management System and reported in the SAR and the Annual Report of the PCIE.
- For internal performance goal indicators, the percentage of OIG staff meeting leadership training requirements is based on information provided by the Foreign Service Institute and verified against OIG staffing and training records. The average number of days from project start to product issuance and the percentage of projects completed within 180 days are based on data in the Project Tracking System (PTS) and OIG Timesheet System (OTS), as verified by documentation and periodic supervisory reviews, as appropriate.

Information from systems used to track OIG performance data is reviewed and verified periodically throughout the year, from biweekly reviews of selected PTS data to monthly reviews of compliance data and semiannual reviews of report issuance, cost efficiencies, and investigative case data. The data is considered adequately reliable for decisionmaking and reporting under the Government Performance and Results Act. The OIG's Office of Management, Policy, and Planning oversees and coordinates the verification and validation process throughout OIG and, as necessary, develops new processes and recommends changes to strategies, indicators, and targets.

### Validation

Each of the performance goals has one to four indicators that measure a combination of outputs (missions, bureaus, programs, and activities inspected or audited and reports issued) and interim outcomes (recommendations resolved, potential monetary savings, reports of investigations issued). These goals and measures are built on the premise that the ability of the Department and BBG to achieve their own strategic goals and objectives is enhanced by OIG's objective reviews of the agencies' component entities, programs, and activities. The agencies also benefit from OIG's identification of deficiencies and vulnerabilities and OIG's verification and validation of successes and strengths, its recommendations for corrective actions, and, where appropriate, its efforts to ensure that these actions are implemented and achieve the desired results.

There are four steps in the OIG's efforts to achieve its mission and objectives and to help the Department and BBG achieve theirs:

1. Inspecting, auditing, reviewing or investigating the agencies' programs, operations, activities, and personnel.
2. Identifying weaknesses, vulnerabilities, and opportunities for improvements and recommending actions—including wider implementation of best practices identified during the reviews—to address them.
3. Getting Department or BBG agreement—at which point a recommendation is resolved—that a problem exists, improvements can be made, and corrective action will be taken.

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4. Department or BBG implementation of the agreed-upon action that solves the problem or leads to an improvement—at which point the recommendation is closed. OIG does not report on this step because it is the responsibility of the Department and BBG to implement the recommendations. OIG is confident, based on historical evidence, that once resolution is achieved, implementation will follow at an appropriate time.

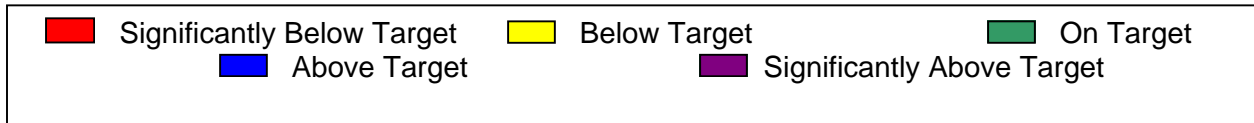
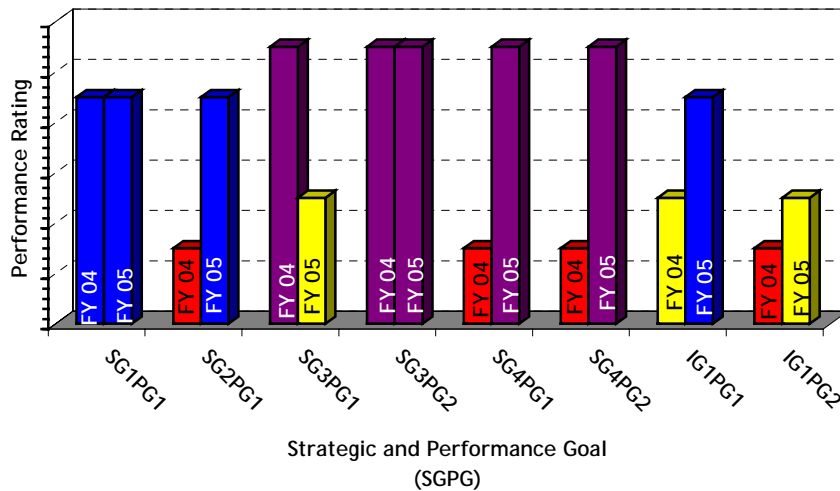
## Performance Section

### OIG Impact: Achieving Results

OIG's value to the Department and BBG lies in its ability to provide independent, objective, and professional assessments of their operations and activities and recommend ways to strengthen effectiveness, efficiency, integrity and accountability. OIG does not implement foreign policy, provide security, manage financial and administrative operations, or ensure accountability. Through its oversight, however, OIG ensures that the Department and BBG do better at these factors and all facets of their operations and activities. OIG has established a separate but complementary set of strategic goals that are expressed in terms of the impact of its work in ensuring the efficiency, effectiveness, and integrity of programs and initiatives that are critical to achieving Department and BBG strategic objectives. The majority of OIG's activities directly support the Department's strategic objective to "Strengthen Diplomatic and Program Capabilities" and the strategic goal of "Management Excellence," although OIG's work also supports many of the Department's and BBG's other strategic goals. OIG's measures of success are based on the premise that the ability of the Department and BBG to achieve their goals and missions is enhanced by OIG's efforts to objectively review their programs and activities, identify deficiencies and vulnerabilities, and recommend corrective actions. The outcomes of OIG's work are most evident in the actions taken by the Department and BBG in response to audit and inspection recommendations and investigations.

#### Comparison of FY 2005 and FY 2004 Performance Goal Ratings

**Comparison of Performance Rating by Performance Goal for FYs 2004 and 2005**



## **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.

### **II. Selected Results and Accomplishments in Support of Strategic Goal**

#### **Department and BBG actions in response to OIG findings and recommendations resulted in:**

- The merger and reorganization of the Bureaus of Arms Control and Nonproliferation and the expansion of the mandate of the Bureau of Verification and Compliance
- The resignation of a commissioner of a U.S. Commission following a critical inspection
- Improved program coordination between regional bureaus and the Bureaus of Educational and Cultural Affairs and International Information Programs
- Increases to the Diversity Visa surcharge to fully cover the visa's cost
- More timely processing of exchange visitor visas

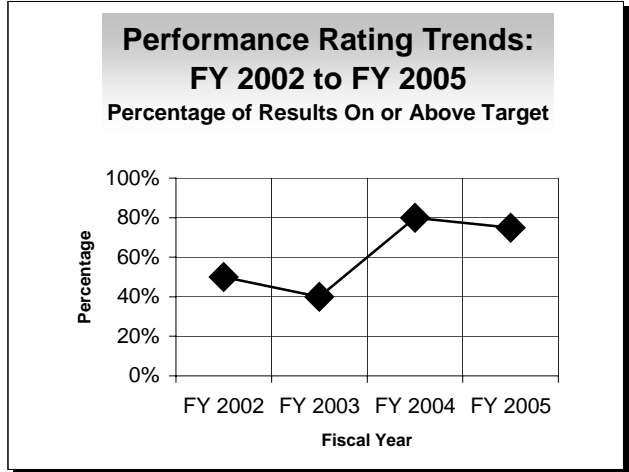
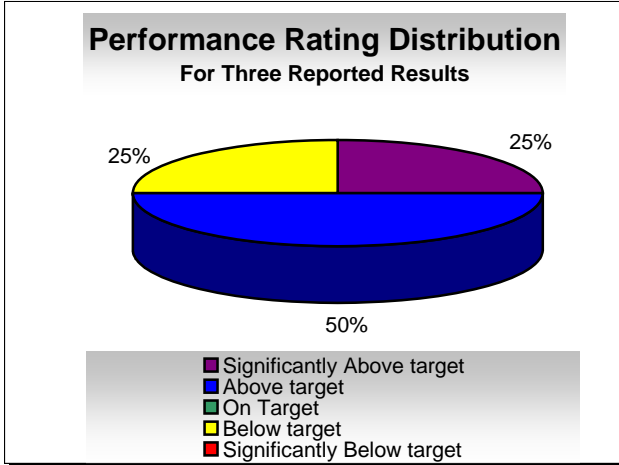
#### **Major accomplishments that will lead to significant results in future years:**

- Issuing a joint Department of Defense-Department of State OIG assessment of Iraqi Police Training recommending greater involvement of Iraqi officials in all aspects of training and shifting the emphasis from the numbers trained to the quality of training, which will significantly refocus the emphasis of costly but critically important training programs and improve their outcomes
- Identifying potential savings to the Department of \$600,000 by consolidating administrative support services at Embassy Paris
- Recommending more and better coordination, interaction and integration between the missions' public affairs officers and those of other foreign affairs agencies at post, which will lead to more consistent and orchestrated public diplomacy

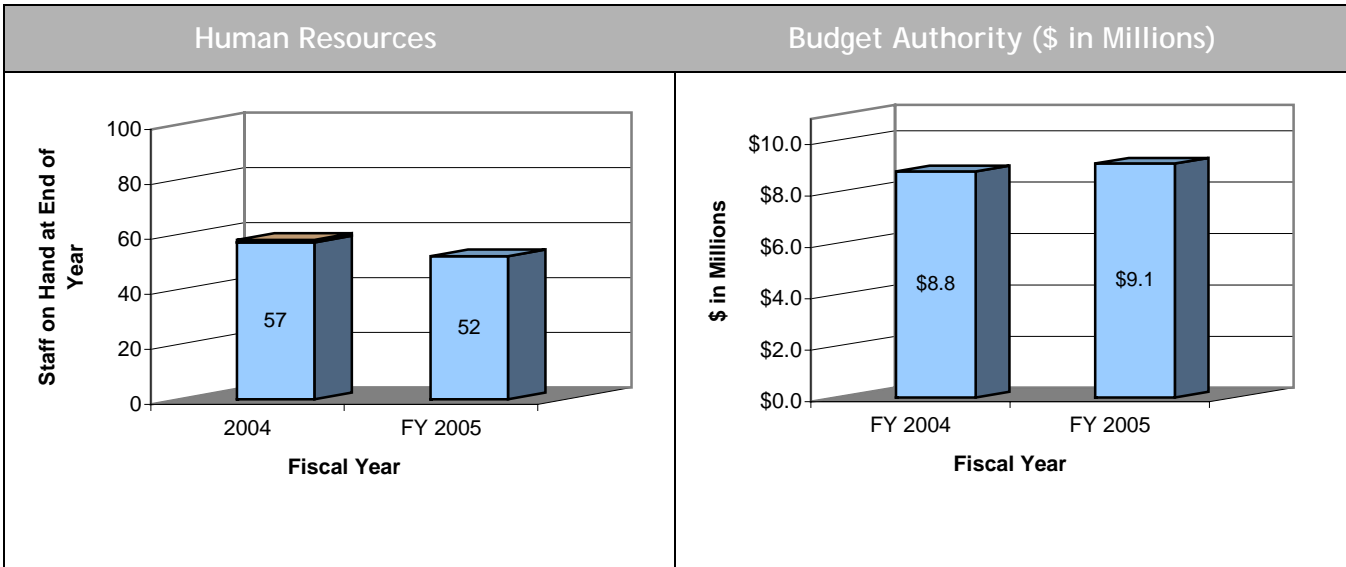
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### III. Performance Summary and Trend

Average Overall Strategic Goal Rating = **Above Target**



### IV. Resources Invested in FY 2004 and FY 2005





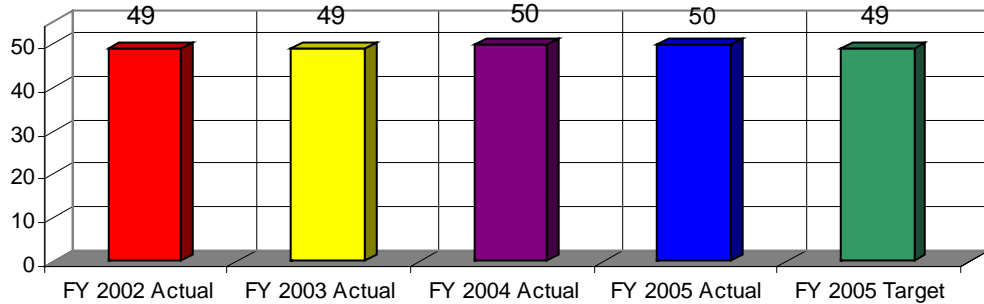
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**V. Performance Results**

**Annual Performance Goal #1**

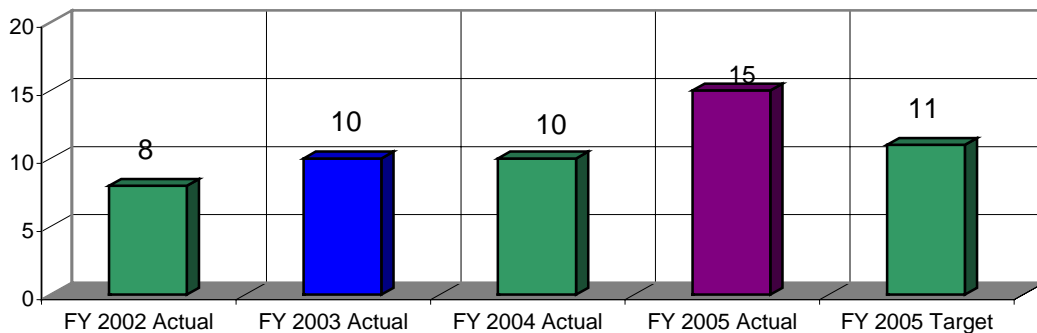
Improve the operations of overseas missions, domestic bureaus, and international broadcasting activities through inspections, audits, and program evaluations.

**Indicator #1: Number of missions and bureaus inspected and reports issued**



<i>Impact</i>	OIG exceeded its target. As a result, these posts and bureaus should be better managed today than they were prior to the inspections, making them more effective, efficient, and economical.	
<i>Data</i>	<i>Source</i>	OIG Semiannual Report
	<i>Verification Confidence Level</i>	High - attested to by the AIG for Inspections and audited internally by the Office of Management, Policy, and Planning
	<i>Validation Confidence Level</i>	Moderate - output that leads to actions and improvements

**Indicator #2: Number of reports issued on systemic/regional/policy issues and programs**



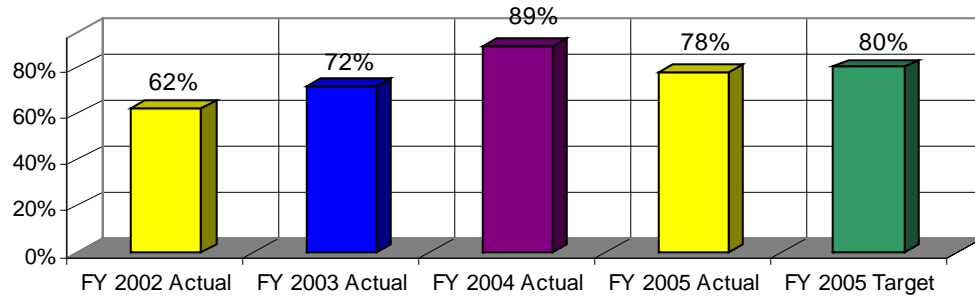
<i>Impact</i>	OIG significantly exceeded its target. As a result, a significant number of operations and programs should be more effective and/or efficient today than they were prior to the review.	
<i>Data</i>	<i>Source</i>	OIG Semiannual Report
	<i>Verification Confidence Level</i>	High - attested to by the AIGs for Audits, Inspections, and IT and audited internally by the Office of Management, Policy, and Planning
	<i>Validation Confidence Level</i>	Moderate - output that leads to actions and improvements

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**Annual Performance Goal #1**

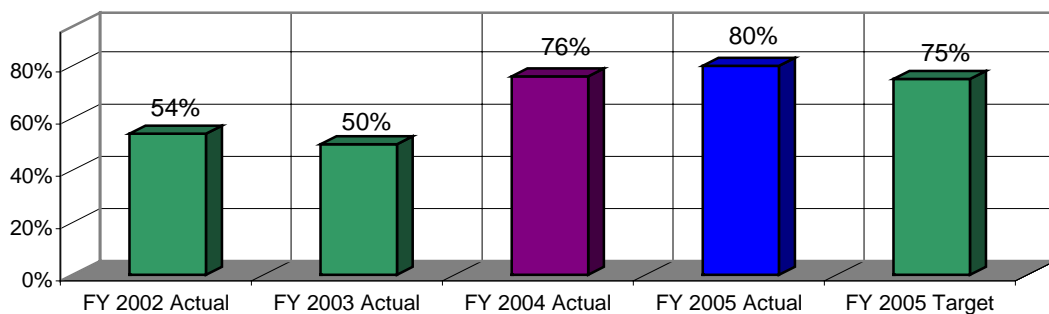
Improve the operations of overseas missions, domestic bureaus, and international broadcasting activities through inspections, audits, and program evaluations.

**Indicator #3: Percentage of recommendations resolved within six months of issuance**



<i>Impact</i>	OIG narrowly missed its target. However, management's timely agreement with almost 8 out of 10 OIG foreign policy-related recommendations significantly increases the likelihood that the vulnerabilities and deficiencies identified will be addressed relatively quickly, improving the management of those entities and their effectiveness in implementing U.S. foreign policy.	
<i>Data</i>	<i>Source</i>	OIG Compliance Analysis Tracking System
	<i>Verification Confidence Level</i>	High - attested to by the AIGs for Audits, IT and Inspections and audited internally by the Office of Management, Policy, and Planning
	<i>Validation Confidence Level</i>	Moderate - interim outcome that leads to action and improvements
<i>Reasons for shortfall and when target will be achieved</i>	Results were slightly below targeted performance levels, and considerably below FY 2004 results, due to the need to shift resources supporting compliance efforts to other important work as significant unanticipated increases in travel costs and reductions in staff severely strained operations. Consequently, OIG's ability to ensure that the Department and BBG responded in a timely fashion was compromised. It should be noted that this still represents considerable improvement over two of the last three years' results. OIG plans to meet or exceed this target level in FY 2006.	

**Indicator #4: Percentage of significant recommendations resolved within six months of issuance**



<i>Impact</i>	OIG exceeded its target. Management's timely agreement with 8 out of 10 of OIG's most important foreign policy-related recommendations greatly increases the likelihood that the significant vulnerabilities and deficiencies identified will be addressed relatively quickly, improving their effectiveness and efficiency in implementing U.S. foreign policy.	
<i>Data</i>	<i>Source</i>	OIG Compliance Analysis Tracking System
	<i>Verification Confidence Level</i>	High - attested to by the AIGs for Audits, IT and Inspections and audited internally by the Office of Management, Policy, and Planning
	<i>Validation Confidence Level</i>	Moderate - interim outcome that leads to action and improvements

## **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 personal and national security and the billions of dollars appropriated annually to protect them. OIG security and information 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.

### **II. Selected Results and Accomplishments in Support of Strategic Goal**

#### **Department and BBG actions in response to OIG findings and recommendations resulted in:**

- Removing information from embassy websites and publications that increased vulnerability to anti-American violence and terrorism of U.S. citizen faculty and students at overseas schools
- Relocating Embassy Amman's Iraq Support Unit and reducing vulnerabilities
- Strengthening the security of classified activities at Embassy Beijing's new embassy compound
- Reassessing the respective responsibilities of the Office of Counterterrorism and the Bureau of Diplomatic Security for the Anti-Terrorism Assistance Program
- Creating a condensed version of guidelines for perimeter lighting to assist regional security officers at all worldwide locations and instructing them to work with their regional security engineering officer to perform a lighting survey
- Discontinuing domestic revalidation of non-diplomatic visas, eliminating a potential border security vulnerability
- BBG reconsidering how it performs Federal Information Security Management Act and information management oversight and reorganization of its approach so that IT systems at transmitting stations are managed centrally

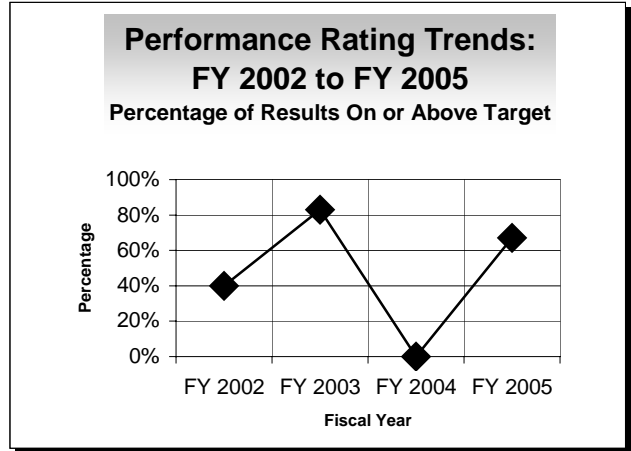
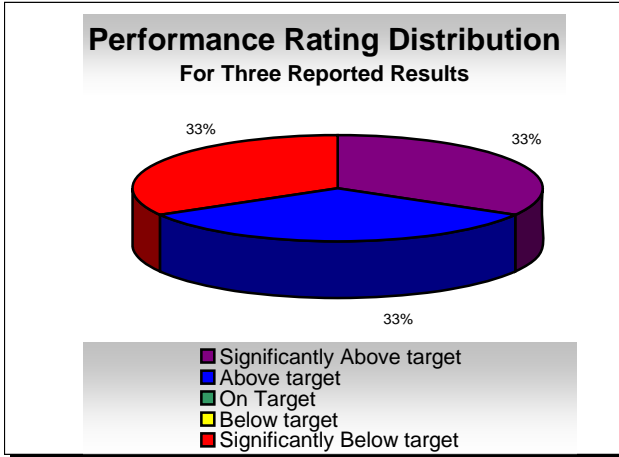
#### **Major accomplishments that will lead to significant results in future years:**

- Identifying \$21.8 million in potential funds put to better use from an Iraq security contract
- Partnering OIG investigators with the Bureaus of Consular Affairs and Diplomatic Security, the Department of Justice, and other agencies in a proactive effort, known as Passport Sentinel, which will strengthen border security by identifying individuals using illegal methods to obtain U.S. passports
- Recommending expanding Imminent Danger Notification Systems at several posts to include surveillance detection personnel, which will increase their ability to react to a terrorist attack
- Recommending improved post emergency action plans which will improve emergency preparedness and the safety of U.S. government personnel and Americans abroad
- Recommending expanding, as funding permits, the joint program of the bureaus of Consular Affairs and Diplomatic Security (DS) to establish DS special investigator positions at the most fraud prone-posts to identify and deter fraud
- Highlighting the need for better coordination among bureaus that have information security functions, consistent with the responsibilities of the Chief Information Officer, that will improve information security in the Department

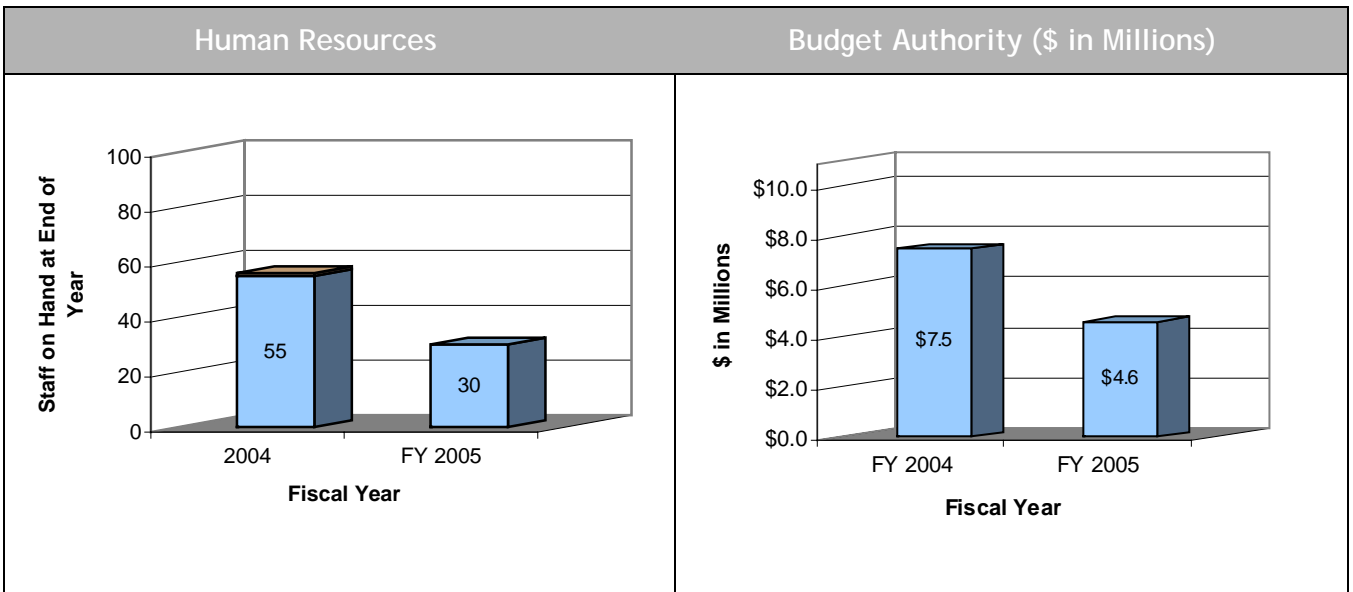
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**III. Performance Summary and Trend**

Average Overall Strategic Goal Rating = **Above Target**



**IV. Resources Invested in FY 2004 and FY 2005**



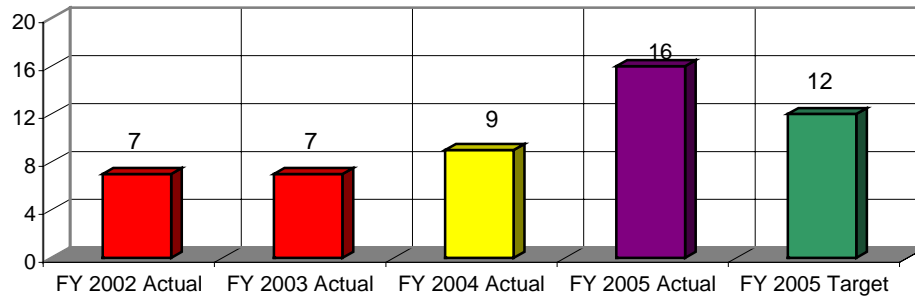
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**V. Performance Results**

**Annual Performance Goal #1**

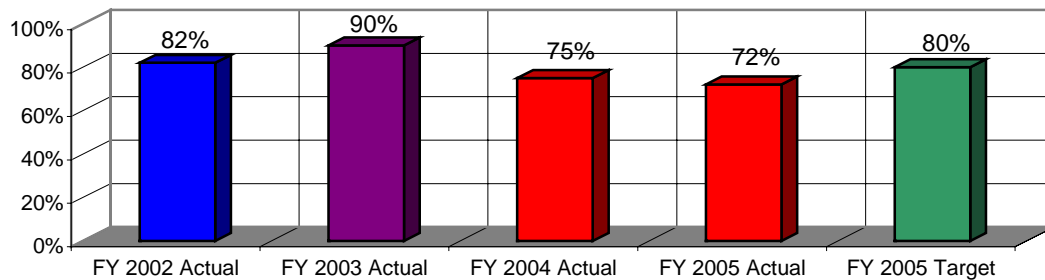
Assess security for personnel, facilities, and information at Department and BBG facilities worldwide and ensure that necessary corrective actions are implemented.

**Indicator #1: Number of reports issued on security programs, including systemic/  
regional/policy issues and programs**



<i>Impact</i>	OIG significantly exceeded its target. As a result, Department and BBG personnel, information and facilities should be more secure.	
<i>Data</i>	<i>Source</i>	OIG Semiannual Report
	<i>Verification Confidence Level</i>	High - attested to by the AIGs for Audits, IT and Inspections and audited internally by the Office of Management, Policy, and Planning
	<i>Validation Confidence Level</i>	Moderate - output that leads to actions and improvements

**Indicator #2: Percentage of recommendations resolved within six months of issuance**



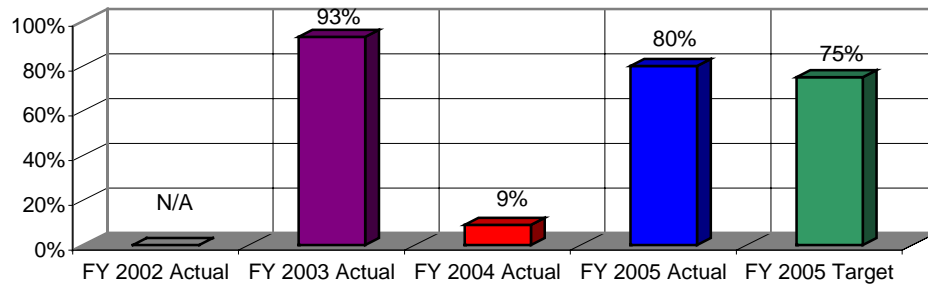
<i>Impact</i>	OIG missed its target. However, management's timely agreement with almost 7 out of 10 OIG security-related recommendations significantly increases the likelihood that the vulnerabilities and deficiencies identified will be addressed relatively quickly, improving the security of U.S. personnel, information and facilities.	
<i>Data</i>	<i>Source</i>	OIG Compliance Analysis Tracking System
	<i>Verification Confidence Level</i>	High - attested to by the AIGs for Audits, IT, and Inspections and audited internally by the Office of Management, Policy, and Planning
	<i>Validation Confidence Level</i>	Moderate - interim outcome that leads to actions and improvements
<i>Reasons for shortfall and when target will be achieved</i>	Results were significantly below targeted performance levels and slightly below FY 2004 results. The need to shift resources supporting compliance efforts to other important work as significant unanticipated increases in travel costs and staff shortages severely strained operations and impeded OIG's ability to ensure that the Department and BBG responded in a timely fashion. OIG plans to meet or exceed this target level in FY 2006.	

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**Annual Performance Goal #1**

Assess security for personnel, facilities, and information at Department and BBG facilities worldwide and ensure that necessary corrective actions are implemented.

**Indicator #3: Percentage of significant recommendations resolved within six months of issuance**



<i>Impact</i>	OIG exceeded its target. Management's timely agreement with 8 out of 10 of OIG's most significant security-related recommendations greatly increases the likelihood that the vulnerabilities and deficiencies identified will be addressed relatively quickly, improving the security of U.S. personnel, information, and facilities.	
<i>Data</i>	<i>Source</i>	OIG Compliance Analysis Tracking System
	<i>Verification Confidence Level</i>	High - attested to by the AIGs for Audits, IT, and Inspections and audited internally by the Office of Management, Policy, and Planning
	<i>Validation Confidence Level</i>	Moderate - interim outcome that leads to action and improvements

## **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, including financial management, contracts and grants, property management, procurement and departmental support activities, human resources, and other international programs and activities. 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 the reliability of financial statements.

### **II. Selected Results and Accomplishments in Support of Strategic Goal**

#### **Department and BBG actions in response to OIG findings and recommendations resulted in:**

- Recovery by the Department of \$3.5 million in deobligated funds from the Havana security construction upgrade project, which were subsequently used to fund other security upgrade projects
- Reimbursements of approximately \$685,000 for diesel fuel overcharges at the Jordan International Police Training Center
- Savings of over \$250,000 in the cost of a new contract for cellular services at an overseas mission
- Significantly improved support to Embassy Baghdad from Embassy Amman, including better communications between Amman’s Iraq Support Unit (ISU) and Baghdad and better trained and more effective ISU staffing
- Establishment of a committee for financial assistance to ensure adequate controls for awarding, monitoring, and accounting for federal assistance, including joint work with the U.S. Agency for International Development to establish a system of accounting for it

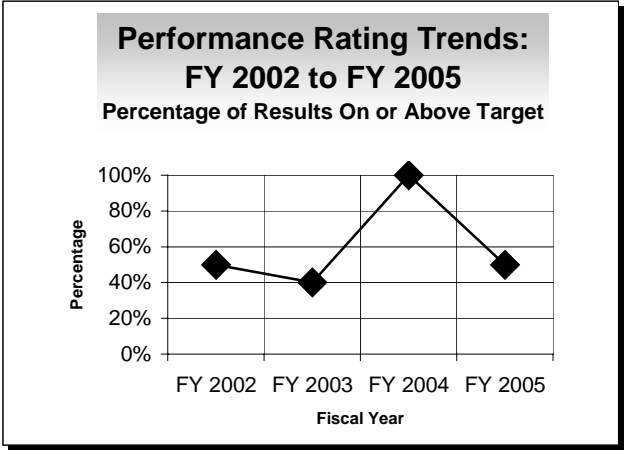
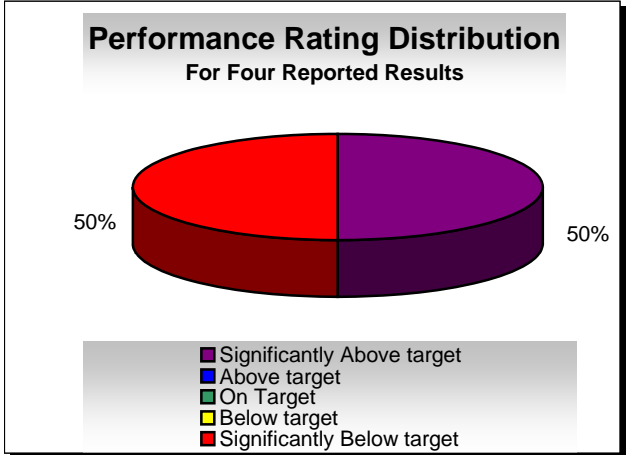
#### **Major accomplishments that will lead to significant results in future years:**

- Identifying untapped rightsizing and regionalization opportunities and redundant administrative operations and making recommendations to address them that will reduce costs and security vulnerabilities and improve operations.
- Identifying a potentially material understatement of extensive aircraft and spare parts inventory that could affect the Department’s previously issued FY 2004 financial statements, which will result in more accurate financial statements

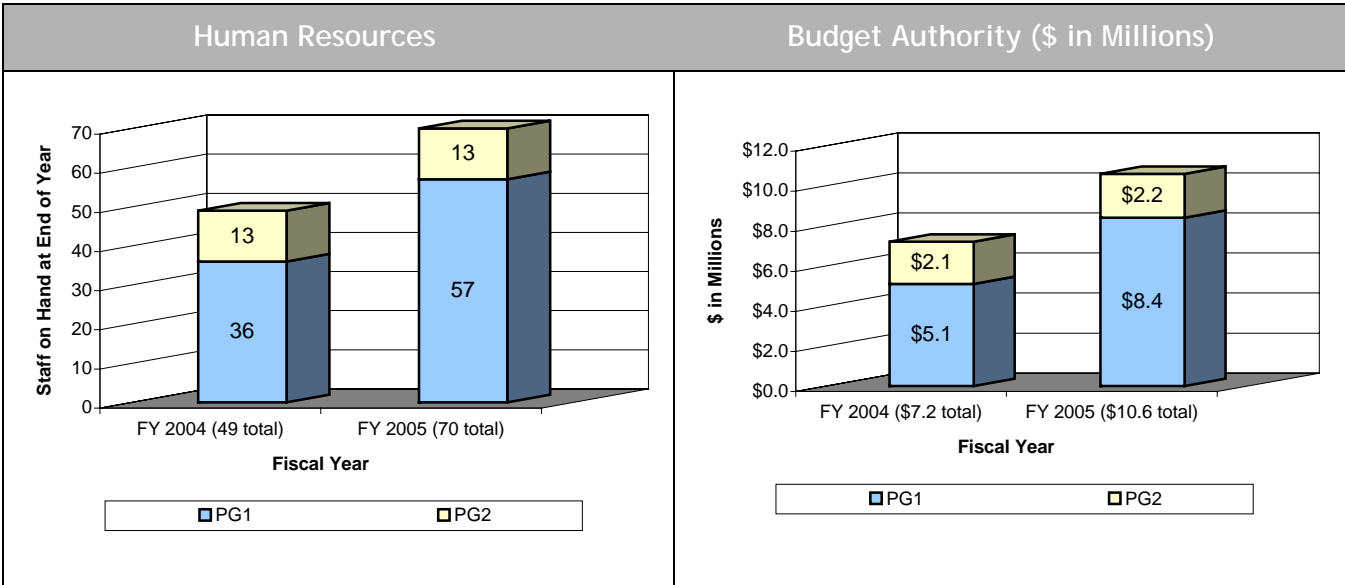
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**III. Performance Summary and Trend**

**AVERAGE OVERALL STRATEGIC GOAL RATING = On Target**



**IV. Resources Invested in FY 2004 and FY 2005**





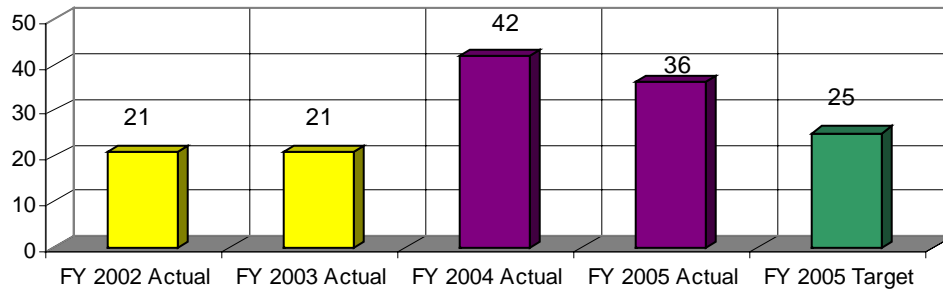
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**V. Performance Results**

**Annual Performance Goal #1**

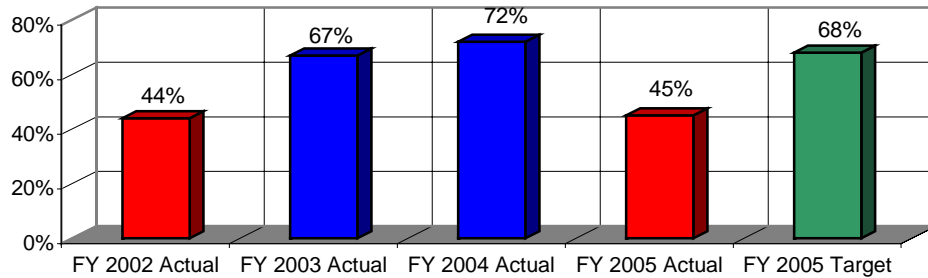
Identify vulnerabilities in Department and BBG financial and administrative support programs and recommendations to improve them.

**Indicator #1: Number of reports issued on programs reviewed**



<i>Impact</i>	OIG significantly exceeded its target. As a result, a significant number of operations and programs should be more effective and/or efficient today than they were prior to the reviews.	
<i>Data</i>	<i>Source</i>	OIG Semi-annual Report
	<i>Verification Confidence Level</i>	High - attested to by the AIGs for Audits, IT, and Inspections and audited internally by the Office of Management, Policy, and Planning
	<i>Validation Confidence Level</i>	Moderate - output that leads to actions and improvements

**Indicator #2: Percentage of recommendations resolved within six months of issuance**



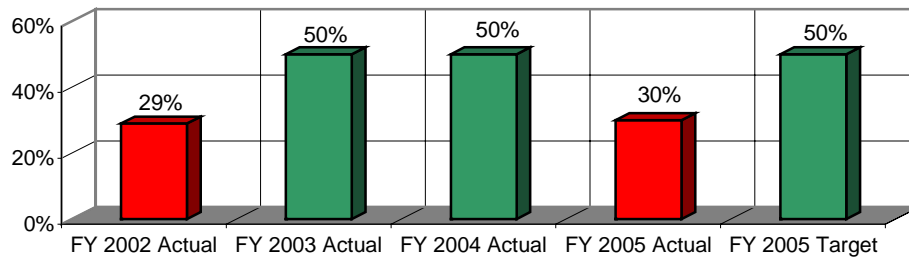
<i>Impact</i>	OIG missed its target by a significant percentage that was substantially below FYs 2004, 2003, and 2002. Management's timely agreement with almost half of OIG's financial and administrative support-related recommendations provides some assurance that some vulnerabilities and deficiencies identified will be addressed relatively quickly and result in improved effectiveness and efficiency in the reviewed programs and operations. However, it implies that more than half of these vulnerabilities and deficiencies are likely to continue longer.	
<i>Data</i>	<i>Source</i>	OIG Compliance Analysis Tracking System
	<i>Verification Confidence Level</i>	High - attested to by the AIGs for Audits, IT, and Inspections and audited internally by the Office of Management, Policy, and Planning
	<i>Validation Confidence Level</i>	Moderate - output that leads to actions and improvements
<i>Reasons for shortfall and when target will be achieved</i>	Results were significantly below targeted performance levels and FY 2004 results, due to the need to shift resources supporting compliance efforts to other important work as significant unanticipated increases in travel costs and staff shortages severely strained operations. Consequently, OIG's ability to ensure that the Department and BBG responded in a timely fashion was compromised. OIG plans to meet or exceed this target level in FY 2006.	

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**Annual Performance Goal #1**

Identify vulnerabilities in Department and BBG financial and administrative support programs and recommendations to improve them.

**Indicator #3: Percentage of significant recommendations resolved within six months of issuance**

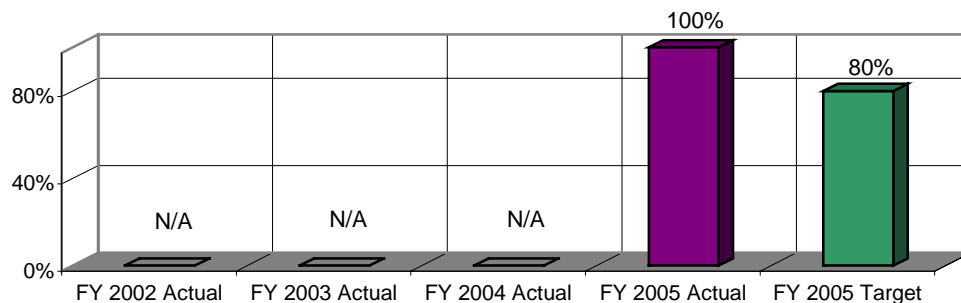


<i>Impact</i>	OIG missed its target by a significant percentage that was substantially below FYs 2004 and 2003. Consequently more than two-thirds of the most significant financial and administrative support-related vulnerabilities and deficiencies identified by OIG are likely to continue longer.	
<i>Data</i>	<i>Source</i>	OIG Compliance Analysis Tracking System
	<i>Verification Confidence Level</i>	High - attested to by the AIGs for Audits, IT, and Inspections and audited internally by the Office of Management, Policy, and Planning
	<i>Validation Confidence Level</i>	Moderate - interim outcome that leads to action and improvements
<i>Reasons for shortfall and when target will be achieved</i>	Results were significantly below targeted performance levels due to the need to shift resources supporting compliance efforts to other important work as unanticipated significant increases in travel costs and staff shortages severely strained operations. This compromised OIG's ability to ensure that the Department and BBG responded in a timely fashion. OIG plans to meet or exceed this target level in FY 2006.	

**Annual Performance Goal #2**

Evaluate Department and BBG progress in addressing priority issues such as the Secretary's management priorities, major management challenges, high-risk areas, performance measurement, and the President's Management Agenda.

**Indicator #1: Percentage of major management challenges addressed in OIG reports**



<i>Impact</i>	OIG significantly exceeded its target. As a result of OIG reviewing some aspect of each of the Department's management challenges and, where warranted, making recommendations to improve them, the Department should have made progress on addressing the challenges.	
<i>Data</i>	<i>Source</i>	AIGs for Audits, IT and Inspections and Semiannual Reports.
	<i>Verification Confidence Level</i>	High - attested to by the AIGs for Audits, IT, and Inspections and audited internally by the Office of Management, Policy, and Planning
	<i>Validation Confidence Level</i>	Moderate - interim outcome that leads to action and improvements

## 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 terms and conditions. OIG also is mandated to prevent and detect waste, fraud, 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 proactively educates and shares best practices with targeted audiences—including new ambassadors, deputy chiefs of mission, and Foreign 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. Selected Results and Accomplishments in Support of Strategic Goal

#### Department and BBG actions in response to OIG findings and recommendations resulted in:

- Recovery of almost \$2 million in questioned costs from a Department contract for Afghanistan protective services
- Savings of \$1.4 million in contract costs resulting from a double-billing error by a contractor
- 20 judicial actions, 22 administrative actions, and \$900,000 in fines and recoveries

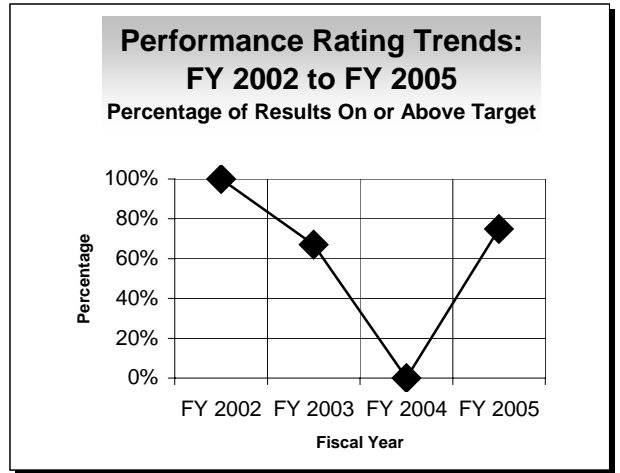
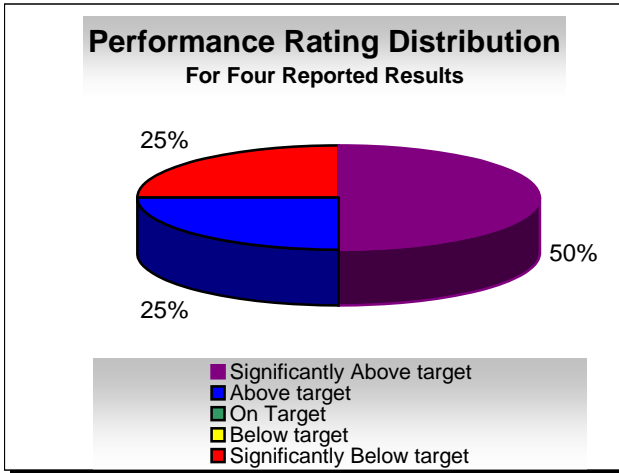
#### Major accomplishments that will lead to significant results in future years:

- Identifying potential savings of \$7.2 million in questioned costs and funds put to better use beyond those identified under other goals
- Recommending improvements to strengthen the vetting procedures for gaining admittance into the Exchange Visitor Program that will increase the Department's ability to monitor compliance and abuse by designated sponsor organizations

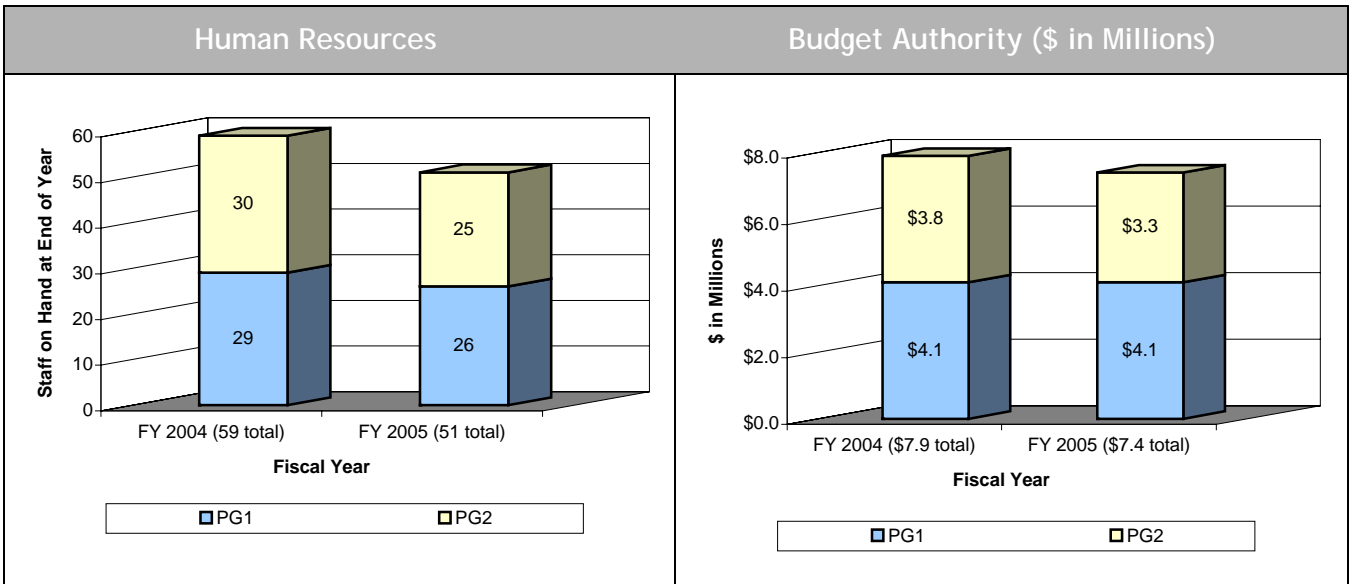
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### III. Performance Summary and Trend

Average Overall Strategic Goal Rating = **Above Target**



### IV. Resources Invested in FY 2004 and FY 2005

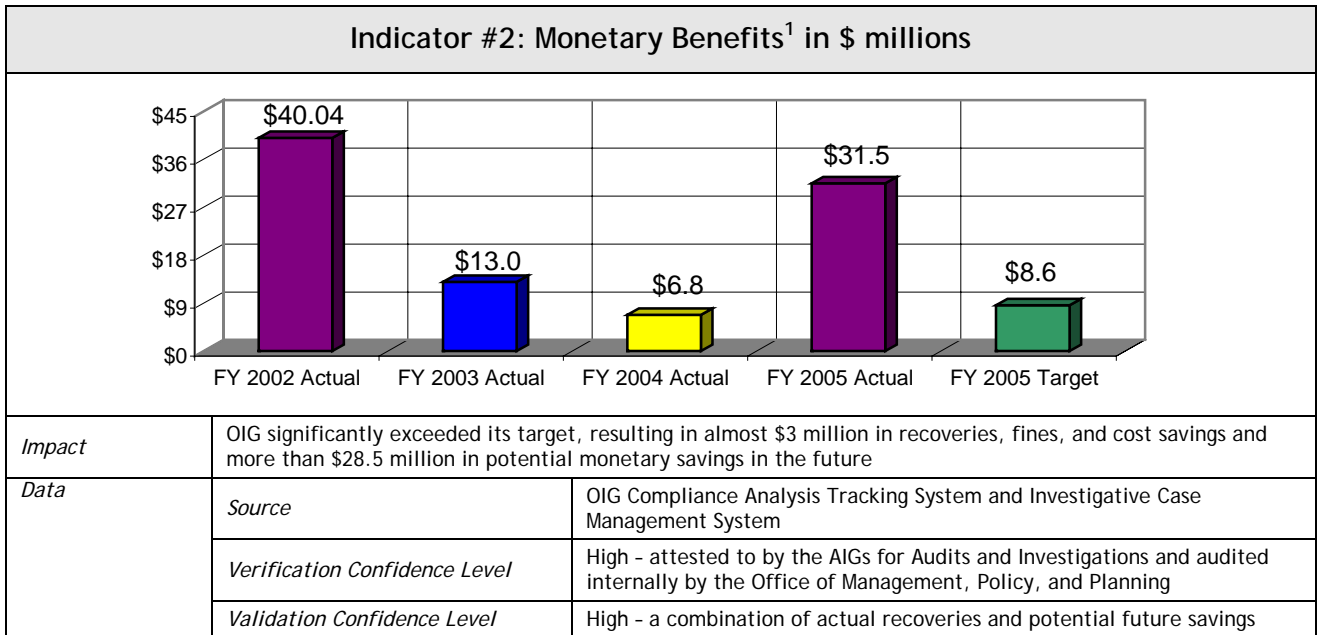
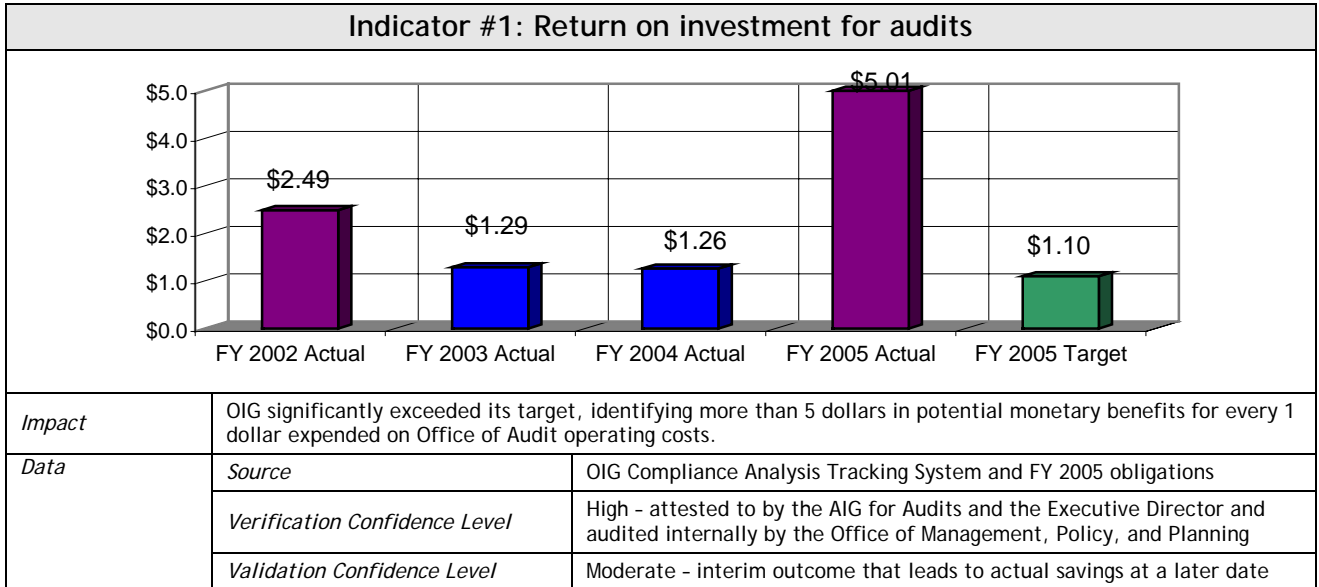


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**V. Performance Results**

**Annual Performance Goal #1**

Identify potential monetary and nonmonetary benefits resulting from audit, inspection, program evaluation, and investigative findings concerning fraud, waste, abuse, and mismanagement and improve the efficiency of Department operations and compliance with applicable contract and grant agreements.



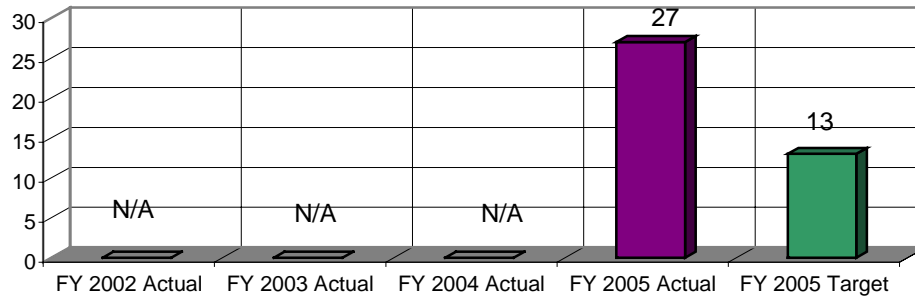
<sup>1</sup> Monetary Benefits include identified questioned costs, potential funds put to better use, cost savings, efficiencies, recoveries, restitution, and fines.

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**Annual Performance Goal #2**

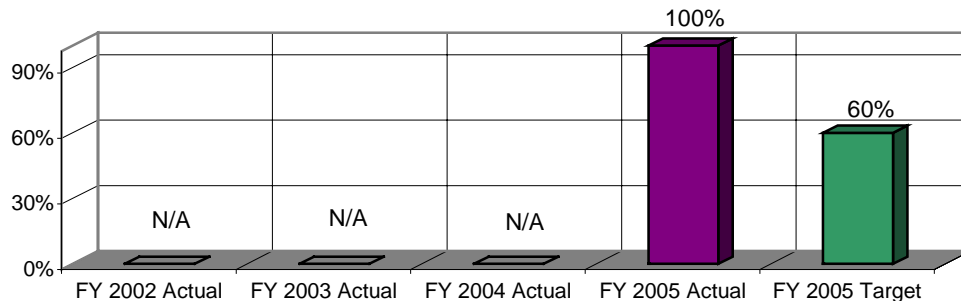
Promote professional and ethical conduct and accountability; and investigate fraud, waste, abuse, and mismanagement.

**Indicator #1: Number of activities focused on key Department vulnerabilities**



<i>Impact</i>	OIG significantly exceeded its target. These proactive outreach activities should increase awareness of best practices and avoidable missteps by Department and BBG personnel, resulting in fewer problems and errors relating to compliance with laws, regulations, policies, and procedures.	
<i>Data</i>	<i>Source</i>	Attestations from the AIGs
	<i>Verification Confidence Level</i>	High - attested to by the AIGs for Audits, Inspections, Investigations and IT and audited internally by the Office of Management, Policy, and Planning
	<i>Validation Confidence Level</i>	Moderate - output that leads to action and improvements

**Indicator #2: Percentage of reports of investigation issued within six months**



<i>Impact</i>	OIG significantly exceeded its target. The sooner allegations are investigated and proved or disproved, the sooner justice is served and individuals are exonerated or face appropriate consequences	
<i>Data</i>	<i>Source</i>	Investigative Case Management System
	<i>Verification Confidence Level</i>	High - attested to by the AIG for Investigations and audited internally by the Office of Management, Policy, and Planning
	<i>Validation Confidence Level</i>	Moderate - output that leads to action and improvements

**Internal Enabling Goal  
OIG Management Excellence.**

**I. Public Benefit**

In addition to the performance goals supporting OIG’s four strategic goals, OIG has established two internal “enabling” goals that support its remaining strategic goals by ensuring that it has the people it needs and that its 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.

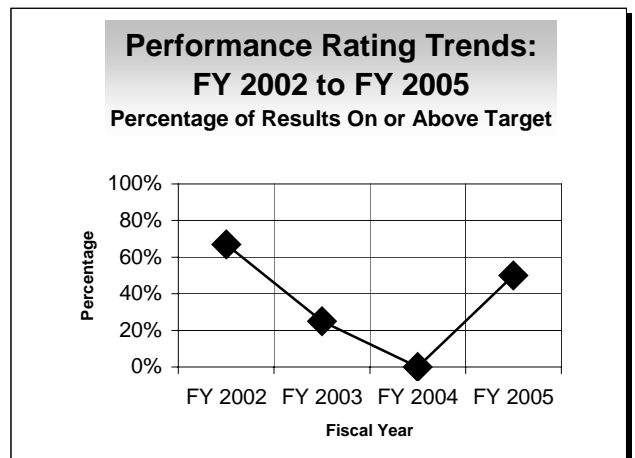
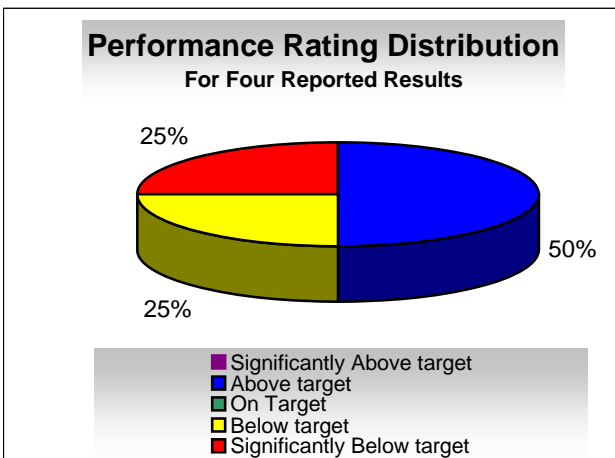
**II. Selected Results in Support of Strategic Goal**

**OIG actions include:**

- Flattening the organizational structure, reducing layers of redundancy, and eliminating three offices and their associated Assistant Inspector General and Deputy Assistant Inspector General positions
- Participating in the Department’s initiative to ensure that annual performance plans for its Civil Service employees are linked to the Bureau Performance Plan and that pay increases for the Senior Executive Service are tied to performance
- Working with the Department to automate OIG’s hiring process to increase the speed and reduce the cost of processing personnel actions
- Establishing an aggressive, comprehensive information-assurance program to better protect critical information resources by developing and updating several IT-specific, standard operating practices for operations, security, strategic planning, and Configuration Control Board activities

**III. Performance Summary and Trend**

**AVERAGE OVERALL STRATEGIC GOAL RATING = On Target**



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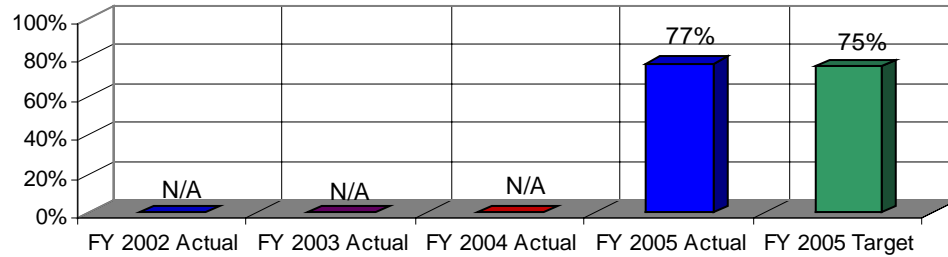
**IV. Resources Invested in FY 2004 and FY 2005**

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

**V. Performance Results**

**Annual Performance Goal #1**  
Ensure employees have the professional skills and expertise necessary to fulfill OIG's mission and goals.

**Indicator #1: Percentage of GS-13 through GS -15 employees and Foreign Service equivalents completing Department leadership and management training**



<i>Impact</i>	OIG exceeded its target. The training received should produce a more motivated and capable staff that will increase OIG's effectiveness and efficiency	
<i>Data and Results</i>	<i>Source</i>	Foreign Service Institute (FSI) and OIG training records
	<i>Verification Confidence Level</i>	High - based on documentation provided by FSI, audited internally by the Office of Management, Policy, and Planning (MPP), and attested to by the AIG/MPP
	<i>Validation Confidence Level</i>	Moderate - output that leads to actions and improvements

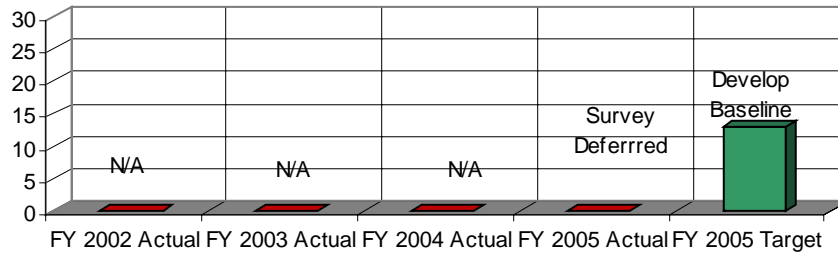


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**Annual Performance Goal #2**

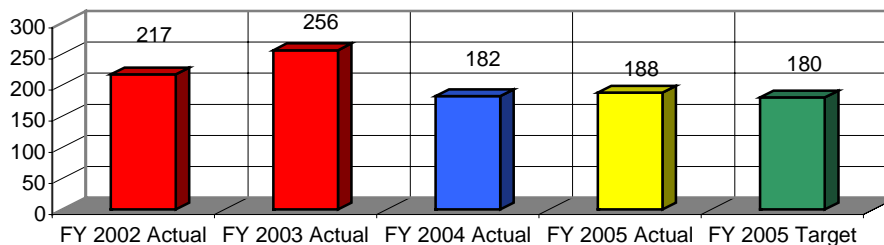
Continuously improve OIG products & processes for maximum impact in meeting customer needs.

**Indicator #1: Percentage of customers rating OIG work as having a significant impact in improving operations**



<i>Impact</i>	OIG did not develop and test the survey as planned, thereby significantly missing its target. Customer feedback would have provided a more objective evaluation of the value and impact of OIG's efforts.	
<i>Data and Results</i>	<i>Source</i>	To Be Determined
	<i>Verification Confidence Level</i>	N/A - since the development of the survey was deferred
	<i>Validation Confidence Level</i>	High - an evaluation of the outcomes/results of OIG efforts by the customers who use or benefit directly from them
<i>Reasons for shortfall and when target will be achieved</i>	Initial survey development was delayed, pending confirmation of a permanent Inspector General, which did not occur until the third quarter. At that time it was determined that a) the survey could not be developed and provided to customers in time to obtain a sufficient response rate by the end of the FY and b) the resources required to support this effort needed to be dedicated to other important work as significant increases in travel costs and staff shortages severely strained operations. OIG is considering whether to retain this indicator in FY 2006, given the expectation of continued resource shortages and urgent competing priorities.	

**Indicator #2: Average number of days from start to issuance for inspection reports and program reviews**



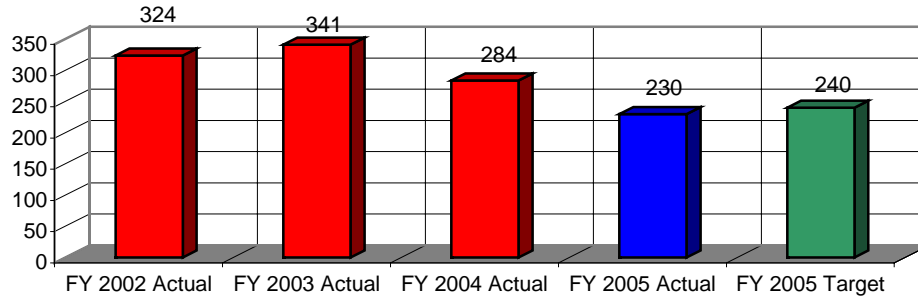
<i>Impact</i>	OIG missed its target (a result that is higher than the target is a worse result) and did slightly worse than FY 2004, although considerably better than in the years prior to 2004. The sooner a report is provided to the Department, the BBG, and the Congress, the sooner corrective actions can be implemented. The delay of approximately one week to complete a project, however, was not expected to have any significant impact.	
<i>Data</i>	<i>Source</i>	OIG Project Tracking System
	<i>Verification Confidence Level</i>	High - attested to by the AIGs for Audits, Inspections and IT, and audited internally by the Office of Management, Policy, and Planning
	<i>Validation Confidence Level</i>	Moderate - interim outcome that leads to action and improvements
<i>Reason for shortfall and when target will be achieved</i>	Unanticipated significant increases in travel costs and staff shortages severely strained operations and required OIG to shift staff, adversely affecting its ability to achieve this target. OIG plans to meet or exceed this target in FY 2006.	

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**Annual Performance Goal #2**

Continuously improve OIG products and processes for maximum impact in meeting customer needs.

**Indicator #3: Average number of days from start to issuance for audit reports**



<i>Impact</i>	OIG exceeded its target (a result that is lower than the target is a better result), considerably reducing the average time to complete an audit from that of prior years. The sooner a report is provided to the Department, the BBG, and the Congress, the sooner corrective actions can be implemented.	
<i>Data</i>	<i>Source</i>	OIG Project Tracking System
	<i>Verification Confidence Level</i>	High - attested to by the AIGs for Audits and IT, and audited internally by the Office of Management, Policy, and Planning
	<i>Validation Confidence Level</i>	Moderate - interim outcome that leads to action and improvements

## *APPENDICES*

### Appendix A

#### FY 2005 Reports Issued in Support of OIG's Strategic Goals

#### Reports Issued in FY 2005

##### Foreign Policy

- Inspection of Embassy Amman, Hashemite Kingdom of Jordan
- Inspection of the Bureau of Political-Military Affairs
- Inspection of Embassy Cairo, Egypt
- Inspection of Embassy Paris, France
- Financial Support and Training Office, Paris, France
- Inspection of US Mission to the United Nations Educational, Scientific & Cultural Organization, Paris
- Inspection of the U.S. Mission to the Organization for Economic Cooperation & Development, Paris
- Inspection of Embassy Bucharest, Romania
- Inspection of Embassy Sofia, Bulgaria
- Inspection of Embassy Chisinau, Moldova
- U.S. Section of the International Boundary and Water Commission
- Inspection of the Bureau of Diplomatic Security, Directorate of Security Infrastructure
- Inspection of the Bureau of Arms Control
- Inspection of the Bureau of Nonproliferation
- Inspection of the Bureau of Verification & Compliance
- Regional Information Management Center Frankfurt
- Regional Information Management Center Ft. Lauderdale
- The International Broadcasting Bureau's Botswana Transmitting Station
- Inspection of the BBG's Operations in Hong Kong
- Inspection of the BBG's Operations in India
- The BBG's Operations in and Broadcasting to Pakistan
- Inspection of the IBB's Greenville, North Carolina, Transmitting Station
- Inspection of the IBB's Delano, California, Transmitting Station
- Compliance Followup Review of Embassy Kathmandu, Nepal
- Bureau of Consular Affairs, Office of Overseas Citizens Services, Office of Children's Issues
- Inspection of the Bureau of Consular Affairs, Office of the Executive Director
- Inspection of the Bureau of Consular Affairs, Office of Policy Review and Interagency Liaison
- Compliance Follow-up Review of Bureau of Democracy, Human Rights, and Labor
- Inspection of Embassy Tel Aviv, Israel
- Inspection of the Bureau of International Narcotics & Law Enforcement Affairs
- Inspection of Consulate General Jerusalem
- Inspection of Embassy Beirut, Lebanon
- Inspection of Embassy Damascus, Syria
- Inspection of Embassy Singapore
- Inspection of Embassy Kuala Lumpur, Malaysia
- Inspection of Embassy Bandar Seri Begawan
- Inspection of Embassy New Delhi, India

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**Foreign Policy *(Continued)***

- Inspection of the American Institute in Taiwan
- Inspection of Embassy Hanoi, Vietnam
- Inspection of Embassy Jakarta, Indonesia
- Inspection of Embassy Dili, East Timor
- Inspection of Embassy Santo Domingo, Dominican Republic
- Inspection of Embassy Islamabad, Pakistan
- Inspection of Embassy Lilongwe, Malawi
- Inspection of Embassy Harare, Zimbabwe
- Inspection of Embassy Gaborone, Botswana
- Inspection of Embassy Lusaka, Zambia
- Inspection of the Bureau of Oceans & International Environmental & Scientific Affairs
- Inspection of the Science & Technology Advisor to the Secretary
- Inspection of Consulate General Hong Kong
- Survey of the Office of the Global AIDS Coordinator
- Review of Treaty Management Responsibilities in the Office of Treaty Affairs
- Management Review of Visa & Passport Fraud Prevention Programs
- Review of Watch List Vulnerabilities
- Nonimmigrant Visa Adjudications: The Visa Referral Process
- Nonimmigrant Visa Adjudications: Standards for Refusing Applications
- Summary Report on Public Diplomacy at the Department of State
- Review of Off-Site Support to Embassy Baghdad & Constituent Units
- Review of the Staffing of Embassy Baghdad
- Review of Radio Sawa Support to the Transition in Post-Saddam Iraq
- Review of the Broadcasting Board of Governors' Progress in Linking its Budget Process and Strategic Planning
- Review of Lutheran Immigration & Refugee Service's Reception and Placement Program
- Export Licensing of Chemical and Biological Weapons
- Review of Staffing Process for Embassy Baghdad's New Embassy Compound
- Joint State-DOD Review of Iraqi Police Training

**Security**

- Review of Lighting Standards for Compound Physical Security Upgrades Projects
- Vulnerability Assessment of the Foreign Affairs Retirement & Disability System
- Summary of FY 2004 Information Systems Security Issues
- Program Management Review (Phase I) of the Anti-Terrorism Assistance Program
- Protection of Classified Information at State Department Headquarters
- Concerns About Changes in Cyber Security Roles & Responsibilities
- Review of Security Programs at U.S. Embassy Baghdad
- Review of New Embassy Construction - Embassy Beijing
  - Review of the Creekbed Renovation Project
- Special Review of the Rosslyn Ridge Residential Housing Compound, Embassy Nairobi, Kenya
- Review of the Information Security Program for Sensitive Compartmented Information Systems at the Department of State
- Review of the Information Security Program at the Department of State
- Review of the Information Security Program at the Broadcasting Board of Governors
- Survey of Iraq IT Waivers
- Embassy Baghdad Communications Security Evaluation
- Review of Security Upgrade Construction Project in Havana, Cuba

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**Financial Management  
and Administrative Support**

- Application of Agreed-Upon Procedures on Costs Claimed by Gordon C. James Public Relations, Inc.
- Agreed-Upon Procedures Review of Daily Direct Labor, Aerial Support Equipment & Indirect Expense Rates Proposed by Blackwater Security Consultants, Inc.. Contractor's Accounting System & Time Keeping Procedures
- Survey of Department of State's Funding for Iraq
- Audit of the Kellogg Brown & Root Termination for Convenience Proposal
- Quality Control Review of KPMG LLP
- Assessment of the Certification & Accreditation, Change Management, & Patch Management Processes
- Audit of U.S. Department of State 2004 & 2003 Principal Financial Statements
- Agreed-Upon Procedures Report on Federal Intragovernmental Activity & Balances
- Independent Auditor's Report on Special-Purpose Financial Statements
- Review of Agreed Upon Procedures for the Verification of Excessive Fuel Charges in Support of the Jordan International Police Training Center
- Agreed-Upon Procedures Review of Indirect Rates and Equipment Delivery Charge Proposed By Armor Group North America And Review of Accounting System
- Review of Procurement & Property Operations at Embassy Bamako
- Review of the Bureau of African Affairs Unauthorized Commitments
- Independent Attestation Review of Annual Accounting of Drug Control Funds by the Department of State
- Review of Department of State's Overseas Purchase Card Program
- Controls Over the Department of State's Language Incentive Pay Allowance Payments
- Audit of FY 2004 BBG Principal Financial Statements
- Reporting on Applying Agreed-Upon Procedures Export Control and Related Border Security Assistance Program for Kazakhstan, Kyrgyzstan, & Uzbekistan
- Agreed-Upon Procedures Review of Indirect Rates Proposed by National Strategy Information Center, Inc
- Agreed-Upon Procedures Review of Indirect Rates Proposed by Mainstreet Technologies, Inc.
- Review of the American Institute in Taiwan Procurement Practices and FY 2003 Indirect Cost Rate
- Agreed-Upon Procedures Applied to the Claim Submitted by Kullman Industries, Inc
- Assessment of Value-added Tax Exemption & Reimbursement Efforts
- Audit of the International Boundary & Water Commission's 2004 & 2003 Financial Statements
- Audit of the International Cooperative Administrative Support Services' FY 2003 and FY 2002 Financial Statements
- Management Letter Related to the Audit of the International Cooperative Administrative Support Services' FY 2003 and FY 2002 Financial Statements
- Department's Oversight of the Foreign Affairs Recreation Association
- Application of Agreed-Upon Procedures for Retirement, Health Benefits, & Life Insurance
- Review of Department's Compliance with the State First Policy for Acquisitions
- Summary Evaluation of the Regional Information Management Centers
- Evaluation of Department of State's Public Diplomacy Network Conversion to OpenNet Plus
- Review of the Voice of America's Digital Upgrade Program

**Accountability**

- Review of Direct Labor & Indirect Expense Rates Proposed by Moore Ruble Yudell & Its Subcontractors
- Review of Selected Awards to MiraMed Institute
- Quality Control Review of Grant Thornton LLP
- Review of Selected Grants Awarded to Institute for the Study & Development of Legal Systems

## Appendix B

### FY 2005 Reports Issued That Address the President's Management Agenda

During FY 2005, OIG continued to focus work on the five government-wide initiatives of the PMA and on the program-specific initiative to rightsize the U.S. government's overseas presence. The table below identifies activities undertaken and reports issued by OIG that contained findings and recommendations addressing these issues.

<b>Reports Addressing PMA Initiatives</b>	
<b>Expanded Electronic Government</b>	
<ul style="list-style-type: none"> <li>• None</li> </ul>	
<b>Improved Financial Performance</b>	
<ul style="list-style-type: none"> <li>• Review of Selected Awards to MiraMed Institute</li> <li>• Report on Applying Agreed-Upon Procedures Export &amp; Related Border Security Assistance Program Kazakhstan, Kyrgyzstan, and Uzbekistan</li> <li>• Review of Indirect Cost Rates Proposed by Mainstreet Technologies, Inc.</li> <li>• Review of Controls Over Move of Domestic Operations to Charleston</li> <li>• Assessment of the Certification and Accreditation, Change Management, and Patch Management Process</li> <li>• Review of Cashiering Operations, Embassy Baghdad</li> <li>• Review of Direct Labor, Aerial Support Equipment and Indirect Expense Rates Proposed by Blackwater Security Consultants, Inc. and Accounting System and Timekeeping Procedures</li> <li>• Review of Department's Compliance with the State First Policy for Acquisitions</li> <li>• Review of Allegations Concerning DynCorp International's WPPS in Afghanistan</li> <li>• Review of the Department of State's Overseas Purchase Card Program</li> <li>• Review of the American Institute in Taiwan Procurement Practices &amp; FY 2003 Indirect Cost Rates</li> <li>• Agreed-Upon Procedures Review of Indirect Cost Rates Proposed by National Strategy Information Center, Inc.</li> <li>• Agreed-Upon Procedures Review of Indirect Cost Rates &amp; Equipment Delivery Charge Proposed by ArmorGroup North America and Review of the Accounting System</li> </ul>	
<b>Budget and Performance Integration</b>	
<ul style="list-style-type: none"> <li>• Security Inspection of IBB Transmission Sites in Germany</li> <li>• Summary Evaluation of the Regional Information Management Centers</li> <li>• Evaluation of IBB's Transmitting Station, Delano, CA</li> <li>• Evaluation of IBB's Botswana Transmitting Station</li> <li>• Evaluation of IBB's Greenville, NC, Transmitting Station</li> </ul>	

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**Strategic Management of Human Capital**

- Security Inspection of IBB Transmission Sites in Germany
- IBB's Djibouti Transmitting Station
- Evaluation of IBB's Transmitting Station, Delano, CA
- Review of the Consular Lookout and Support System
- Evaluation of IBB's Botswana Transmitting Station
- Inspection of BBG's Operations in India
- Inspection of Regional Information Management Center Frankfurt, Germany
- Information Security Inspection of the Regional Information Management Center Ft. Lauderdale
- Summary Evaluation of the Regional Information Management Centers
- Review of Staffing at U.S. Embassy Baghdad
- Review of Staffing Process for Embassy Baghdad's New Embassy Compound

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**Competitive Sourcing**

- None

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**Rightsizing of U.S. Overseas Presence**

- Inspection of Embassy Berlin and Constituent Posts
  - Inspection of Embassy Damascus, Syria
  - Inspection of Embassy Islamabad, Pakistan
  - Inspection of the Bureau of Arms Control
-

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**List of Abbreviations**

BBG	Broadcasting Board of Governors
AIG	Assistant Inspector General
AUD	OIG Office of Audits
CATS	Compliance Analysis Tracking System
Department	Department of State
DOD	Department of Defense
EX	Executive Office
FISMA	Federal Information Security Management Act
FY	Fiscal Year
IBO	Office of International Broadcasting Oversight
ICASS	International Cooperative Administrative Support Services
INV	OIG Office of Investigations
ISP	OIG Office of Inspections
ISU	Iraq Support Unit
IT	OIG Office of Information Technology
OIG	Office of Inspector General
OMB	Office of Management and Budget
OTS	OIG Timesheet System
PART	Program Assessment Rating Tool
PCIE	President's Council on Integrity and Efficiency
PMA	President's Management Agenda
PTS	Project Tracking System
TVA/OIG	Tennessee Valley Authority Office of Inspector General
U.S.	United States



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Office of Inspector General  
U.S. Department of State  
Washington, DC 20522-0308

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