

# SEMIANNUAL REPORT TO THE CONGRESS

April 1, 2016, to September 30, 2016



**OIG** Office of Inspector General  
U.S. Department of State • Broadcasting Board of Governors



## OUR VISION

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

## OUR MISSION

To conduct independent audits, inspections, evaluations, and investigations to promote economy and efficiency and to prevent and detect waste, fraud, abuse, and mismanagement in the programs and operations of the Department and the Broadcasting Board of Governors.

## OUR VALUES

### Integrity

We remain independent, striving to maintain the highest level of trust, integrity, and professionalism. Our work is fact-based, objective, and supported by sufficient, appropriate evidence in accordance with professional standards.

### Teamwork

Our success depends on working together and fostering an inclusive and mutually supportive environment. Our work environment encourages collaboration, innovation, flexibility, and integration of OIG resources.

### Accountability

We accept responsibility for our work products and services, upholding the highest professional standards by evaluating and measuring our results against stated performance measures and targets. We strive to ensure that our work is relevant, credible, and timely.

### Communication

We clarify expectations up front and communicate openly, honestly, and accurately with our associates and our stakeholders. We look for ways to improve ourselves and our work products by seeking, giving, and using both praise and constructive feedback.

### Respect

We promote diversity and equal opportunity throughout the organization. We value and respect the views of others.

## OIG Summary of Performance, 4/1/2016–9/30/2016

	Issued during the reporting period	Management decision during the reporting period
Questioned Costs	\$9,213,368	\$2,086,378
Recommendations for Funds To Be Put to Better Use	\$133,200	\$220,670,118
Investigative Monetary Results	\$4,009,765	N/A
<b>Total</b>	<b>\$13,356,333</b>	<b>\$222,756,496</b>
Additional monetary benefits achieved as the result of prior OIG recommendations		\$29,469,136

### Investigative Activities

Cases Opened	35
Cases Closed	39
Criminal Actions (arrests, indictments, convictions)	14
Civil Actions	0
Administrative Actions	20
Contractor/Grantee Suspensions and Debarments	9
Hotline Complaints Received	1,013

### Reports

Office of Audits	22
Office of Evaluations and Special Projects	2
Office of Inspections	33
Overseas Contingency Operations Oversight <sup>a</sup>	5
<b>Total</b>	<b>62</b>

<sup>a</sup>Four reports jointly issued.



## MESSAGE FROM THE INSPECTOR GENERAL



Steve A. Linick

I am pleased to present this *Semiannual Report to the Congress*, covering the oversight activities of the Office of Inspector General (OIG) for the Department of State (Department) and the Broadcasting Board of Governors (BBG) from April 1, 2016, to September 30, 2016.

Many of our most significant efforts during this reporting period focused on the physical safety of people and facilities, the conduct of Department employees, and issues involving national security. OIG issued 62 unclassified and classified reports, including 4 reports produced jointly with the OIGs for the Department of Defense and the U.S. Agency for International Development in connection with ongoing overseas contingency operations. These reports included audits, inspections, evaluations, and management assistance reports. Our work

focused on the top management and performance challenges facing the Department and BBG, including protection of people and facilities overseas, managing posts and programs in conflict areas, information security and management, oversight of contracts and grants, and financial management.

Security of personnel and diplomatic facilities remained an OIG priority. For example, OIG issued an audit of local guard force contractors at critical- and high-threat posts that identified deficiencies in the performance of a number of duties meant to prohibit unauthorized access to embassy compounds. Additionally, in a management assistance report, we found that a majority of armored vehicle mishaps at overseas posts from 2010 to 2015 were preventable, and we recommended that the Department establish a mandatory training requirement for armored vehicle drivers.

OIG continued its efforts to assist the Department in managing posts and programs in conflict areas. For example, two of our reports addressed specific security-related issues at Embassy Kabul, Afghanistan, and we audited the Department's process for assessing and mitigating risks related to contractor performance in Afghanistan and Iraq. In addition, in our inspection of Mission Turkey, we noted that the Department's process for vetting foreign assistance recipients and program personnel impeded delivery of high-priority assistance in Syria. Much of our work in this area overlapped with my role as an Associate Inspector General for the two ongoing overseas contingency operations.

OIG examined various issues related to information security and information management. Although the Department has made improvements in this critical area, OIG still identified concerns with various components of the Department's information technology and information security programs, including the Department's efforts to protect its computer networks. OIG also reported on records management deficiencies at many levels of the Department.

Many of our reports addressed contract and grant management issues. For example, OIG examined the Department's oversight of task orders issued under the Operations and Maintenance Support Services contract in Iraq. In another example, an inspection identified flaws in internal controls related to these issues, as well as procurement files that did not ensure full transparency because they did not comply with requirements to document justifications for sole-source awards.

OIG issued a number of reports related to financial issues, including audits of both the Department's and BBG's compliance with improper payments requirements. Additionally, in one inspection, we identified deficiencies related to the Department's purchase card program.

Finally, OIG successfully conducted several significant investigations involving a wide range of allegations, including contract and procurement fraud and employee misconduct. As a result of one case involving a large-scale theft of fuel at an overseas post, a Department locally employed staff member was sentenced to a year in prison, and post management withheld the pensions of two former employees.

OIG's accomplishments reflected in this *Semiannual Report to the Congress* are a credit to the talented and committed staff that I have the privilege to lead.



Steve A. Linick  
Inspector General  
September 30, 2016



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# EXECUTIVE SUMMARY

This *Semiannual Report to the Congress* summarizes the work of the Office of Inspector General (OIG) for the Department of State (Department) and the Broadcasting Board of Governors (BBG) for the reporting period from April 1, 2016, to September 30, 2016.

OIG is responsible for the oversight of more than \$40 billion in Department, BBG, and foreign assistance resources. During this reporting period, OIG issued a total of 62 reports, including 4 reports produced jointly with the OIGs for the Department of Defense and the U.S. Agency for International Development. In these reports, OIG identified \$9.3 million in questioned costs and funds to be put to better use. Additionally, OIG's investigative activities led to more than \$4 million in monetary results and nine debarments. Much of OIG's most important work, however, focused on issues that simply cannot be quantified financially—the physical safety of people and facilities, the conduct of Department employees, and matters involving national security.

The *Classified Annex to the Semiannual Report to the Congress* addresses sensitive and classified issues identified in OIG reports during this reporting period.

## Department of State Management and Performance Challenges

The Department manages the United States' relationships with foreign governments, international organizations, and the people of other countries. In support of its mission to shape and sustain a more peaceful and democratic world and to foster global conditions for stability and progress, the Department maintains more than 270 overseas missions and multiple domestic entities. These missions and entities are funded through combined annual appropriations, consular fees, and other income.

In addition to fulfilling its statutory mandates, an integral part of OIG's oversight is to identify and assess the Department's management and performance challenges and to align its work with these challenges. In September 2016, the Inspector General identified the most serious management and performance challenges the Department faced in the previous year:

- Protection of people and facilities overseas
- Managing posts and programs in conflict areas
- Information security and management
- Oversight of contracts and grants
- Financial management

OIG focused much of its oversight this reporting period on identifying vulnerabilities in these areas and recommending positive, meaningful actions that the Department could take to mitigate risks related to these issues.

### Protection of People and Facilities Overseas

One of the most critical management challenges that the Department faces is the protection of its people and facilities. Department personnel stationed abroad face risks from crime, from terrorist attacks, and from natural disasters. Although the Department is committed to protecting its personnel and property, OIG continued to find deficiencies related to personnel safety overseas and emergency planning and preparedness.

For example, in a July 2016 management assistance report, OIG reported that 60 percent of armored vehicle mishaps at U.S. missions overseas between January 2010 and September 2015 were preventable. In addition to fatalities, these mishaps caused hospitalizations and property damages. OIG recommended that the Department establish a mandatory training requirement for all drivers who operate armored vehicles.

In another report, an April 2016 audit of local guard force contractors at critical- and high-threat posts, OIG identified deficiencies in the performance of a number of contractually required duties, including adherence to access control procedures and to delivery and mail screening procedures. These performance deficiencies could allow unauthorized personnel to access the compound or visitors to bring prohibited items into the compound, both of which increase risks to Department personnel and property. OIG made several mission-specific recommendations to remedy these deficiencies.

Finally, in two inspection reports, OIG highlighted shortcomings in the Department's crisis management training and emergency action plans. OIG found that embassy personnel were unfamiliar with their roles and responsibilities leading up to and during a crisis because consular managers, faced with competing demands for their time, had not provided sufficient crisis-specific training. OIG also found that emergency action plans were out of date, lacked key information, included erroneous points of contact, or were improperly certified by leadership. Again, these flaws increase the risks to personnel and property and may cause difficulties in communicating and coordinating with the Department.

### **Managing Posts and Programs in Conflict Areas**

In addition to the security challenges highlighted above, the Department faces other significant management challenges operating programs and posts in areas afflicted by violence, humanitarian crises, political instability, physical insecurity, weak governance, and rampant corruption. Missions in countries such as Iraq, Afghanistan, and Pakistan are at the forefront of U.S. engagement to counter terrorism, stabilize fragile states, and respond to regional conflicts. Because the Department invests billions of dollars in these areas, OIG continued to examine the complex issues affecting Department operations in unstable environments, including those related to infrastructure and the management of contracts and grants. Much of OIG's work in this area intersected with its Lead Inspector General oversight and reporting obligations for two ongoing overseas contingency operations: Operation Inherent Resolve in Iraq and Syria and Operation Freedom's Sentinel in Afghanistan.

For example, the Department has had recurring problems with fuel storage and control at posts in conflict areas. This reporting period, as in the past, OIG identified inventory control and safety deficiencies in fuel storage and refueling operations, this time at Embassy Kabul, Afghanistan. OIG made several recommendations to improve fuel operations, including updating the Department's vehicle-fueling system to prevent unauthorized access to fuel and relocating the fueling station office on the embassy compound to a location that offers adequate egress in the event of an emergency.

During the reporting period, OIG also identified a type of hazardous electrical current that posed life, health, and safety risks to occupants of a new office building and apartment building at Embassy Kabul. In a management alert, OIG recommended that the embassy and the Bureau of Overseas Buildings Operations take immediate action to examine the installation of electrical wiring, equipment, and appliances in the new buildings; determine mitigation measures; and inform residents of the existence of the hazardous current.

In another report, OIG noted that, in accordance with the National Defense Authorization Act for Fiscal Year 2013, the Department conducted assessments that identified risks to contractor performance in Afghanistan and Iraq. However, the Department did not always develop required mitigation plans for each of the high-risk areas identified, nor did it include with those mitigation plans measurable milestones and a process for monitoring, measuring, and documenting progress for each mitigating action.

Finally, in an investigation during the reporting period, OIG revealed that employees of a major contracting company conspired with local vendors in Afghanistan to bill for fuel deliveries that exceeded the capacity of fuel tanks in three locations. In April 2016, the company responsible for the overcharges reimbursed the Department more than \$168,000.

### **Information Security and Management**

The Department depends on information systems and electronic data to carry out essential mission-related functions. Given the complexity and sensitivity of the Department's

IT apparatus and the security breaches the Department has experienced in recent years, IT security and management continues to be a significant challenge. Although the Department spent several billion dollars in the past 5 years on software tools, IT equipment, and professional expertise, OIG continued to find deficiencies related to cybersecurity and electronic records management.

For example, in two inspection reports during this reporting period, OIG identified a lack of IT contingency planning at overseas posts, an ongoing deficiency that OIG reports have highlighted since December 2011. In a June 2016 management assistance report, OIG also reported that the Department did not always disable inactive user accounts after 90 days of inactivity, as required by Department policy. OIG recommended the Department develop a plan to identify and remove inactive user accounts to avoid the risk of an intruder gaining access via these unneeded accounts.

Also during this reporting period, OIG identified records management deficiencies at many levels of the Department, including the Office of the Secretary. In its review of issues associated with records preservation and the use of personal hardware and software by the five most recent Secretaries of State, OIG determined that email usage and preservation practices varied across the tenures of these Secretaries and that compliance with statutory, regulatory, and internal requirements varied as well. OIG recommended that the Department enhance and more frequently issue guidance on the permissible use of personal email accounts to conduct official business, amend policies to provide for administrative penalties for failure to comply with records preservation and cybersecurity requirements, and develop a quality assurance

plan to address vulnerabilities in records management and preservation. In the course of a number of overseas inspections, OIG also found that several posts inconsistently employed the Department's State Messaging and Archive Retrieval Toolset for designating emails as official records.

### **Oversight of Contracts and Grants**

The Department manages a complex portfolio of contracts and procurement vehicles, including grants and cooperative agreements administered around the globe. In addition to the issues identified above related to posts and programs in conflict areas, OIG found deficiencies more broadly in the proper management, oversight, and accountability of Department contracts and grants.

For example, in the audit of local guard force contractors at critical- and high-threat posts, OIG found that not all regional security officers serving as contracting officer's representatives properly documented contractor performance or maintained complete files. Furthermore, OIG identified one contractor that did not adhere to the contractually required invoice format or to the schedule for submitting invoices. These flaws increased the risks that invoices did not accurately reflect work performed and that embassy staff would not identify discrepancies.

Also during this reporting period, an OIG inspection found that Embassy Cairo, Egypt, did not carry out market research and prepare an annual acquisition plan to identify the best contract method for competition and possible cost savings. In addition, OIG noted a lack of internal controls and procurement files that did not comply with Federal regulations—specifically, requirements to document

justifications for sole-source awards. In the same inspection, OIG identified a program that the Department funded without the Ambassador's written approval. With few exceptions, embassy sections and agencies responsible for developing and monitoring programs were generally unaware of a standard procedure for obtaining written approval from the chief of mission. Following these procedures avoids duplication, waste, lack of support for Integrated Country Strategy goals, unintended effects on the bilateral relationship, and imposition of a monitoring burden the embassy cannot meet.

In addition to these reports, a joint investigation by OIG and the Department's Bureau of Diplomatic Security previously uncovered a large-scale theft of approximately \$2.3 million in diesel fuel from Embassy Tbilisi, Georgia. In April 2016, a foreign court sentenced a Department locally employed staff member to 1 year in prison; in July, post management withheld two former employees' pensions, resulting in \$45,000 in funds put to better use.

### **Financial Management**

The Department manages one of the U.S. Government's most complex financial operations, with financial activities occurring in more than 270 locations in 180 countries. The Department received an unmodified ("clean") audit opinion on its 2014 and 2015 financial statements, and OIG's efforts with respect to this management challenge focused on helping the Department identify and address remaining vulnerabilities.

For example, OIG continued to find flaws related to management controls, which contributed to incidents of fraud at several posts overseas. In one inspection report from

this reporting period, OIG recommended that the Department address the internal control breaches that allow fraud to occur and persist rather than simply document how the fraud was conducted in the first place. By doing so, the Department will be able to assess more accurately the effectiveness of its internal controls. In another inspection, OIG identified deficiencies related to purchase card programs and offered recommendations to address the causes of those flaws.

### Broadcasting Board of Governors Management and Performance Challenges

An independent Federal agency, BBG manages all U.S. Government civilian international media broadcasts and has a mission to inform, engage, and connect people around the world in support of freedom and democracy. OIG's oversight responsibilities include BBG's programs and operations with an FY 2016 appropriation of almost \$750 million.

As with the Department, an integral part of OIG's oversight is to identify and assess BBG's management and performance challenges and to align its work with these challenges. In September 2016, the Inspector General identified the most serious management and performance challenges BBG faced in the previous year:

- Information security and management
- Financial and property management
- Contracts, acquisitions, and grants management

#### Information Security and Management

During the reporting period, OIG identified management of user accounts as a challenge for BBG. In a May 2016 management

assistance report, OIG reported that BBG generally disabled active directory user accounts after 45 days of inactivity, as required by BBG policy. However, BBG lacked policies that defined when privileged user accounts and non-user accounts become inactive and must be disabled.

#### Financial and Property Management

OIG also found that financial management continued to be a challenge for BBG. In its inspection of U.S. International Broadcasting to Egypt, OIG found that the Voice of America (VOA) Correspondent Cairo news bureau's cashier operations did not comply with Department standards for unannounced cash counts and separation of duties. OIG also noted that VOA Correspondent Cairo news bureau lacked sufficient employees to allow for separation of duties. Concerning property management, OIG reviewed the VOA Correspondent Cairo news bureau's inventory records for FYs 2014–15 and found that the bureau did not document some broadcasting items in accordance with BBG regulations.

#### Contracts, Acquisitions, and Grants Management

The lack of effective oversight of contracts and grants is a continuing management challenge for BBG. In its inspection of U.S. International Broadcasting to Egypt, OIG identified several weaknesses in contract administration procedures. In its review of purchase order and service contract files at VOA Correspondent Cairo news bureau, OIG found that some purchase order files lacked a purchase request and quotes and that two service contract files lacked market research information and price analysis, as required by the Federal Acquisition Regulation.

# OVERVIEW

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# 1. OVERSIGHT STRATEGY

The primary mission of the Office of Inspector General (OIG) for the Department of State (Department) and the Broadcasting Board of Governors (BBG) is to conduct independent audits, evaluations, inspections, and investigations to promote economy and efficiency and to prevent and detect fraud, waste, abuse, and mismanagement in the programs and operations of the Department and BBG.

OIG’s mandate is broad and comprehensive, involving oversight of the full scope of Department and BBG programs and operations, as well as the U.S. Section of the International Boundary and Water Commission. OIG is responsible for overseeing more than \$40 billion in Department, BBG, and foreign assistance resources.

In addition to its agency-specific responsibilities, OIG’s mandate expanded further in August 2014, when Congress amended the Inspector General Act to provide for coordinated interagency oversight of overseas contingency operations (OCO), including the designation of a Lead Inspector General (LIG) for each OCO. Currently, Inspector General Linick is the Associate Inspector General for

two OCOs: Operation Inherent Resolve, to degrade and defeat the Islamic State of Iraq and the Levant (ISIL), and Operation Freedom’s Sentinel, to train, advise, and assist Afghan security forces and defeat the remnants of al Qaeda in Afghanistan.

To effectively meet these and other statutory mandates, OIG maintains offices in Afghanistan, Pakistan, Iraq, and Germany. Offices in these locations enable OIG to provide timely, efficient, and effective oversight of high-cost, high-risk Department programs and operations. The Office of Audits’ Middle East Region Operations Directorate and the Office of Investigations dedicate on-the-ground resources, expertise, and oversight to promoting the efficiency, effectiveness, and integrity

**Figure 1.1:**  
**OIG Office Locations**





of critical Department programs and U.S. interests in the frontline states as well as other crisis and post-conflict countries. Domestically, in addition to its Washington, D.C., headquarters, OIG has strategically co-located investigative staff with the Department's Global Financial Services Center and Human Resource Shared Services staff in Charleston, South Carolina. Figure 1.1 shows the locations of OIG's offices.

to the agencies it serves and informing the Office of Management and Budget (OMB), Congress, the public, and other stakeholders how OIG safeguards taxpayer resources. The plan also emphasizes OIG's continuing obligation to improve its own operations and ensure that its workforce is, and continues to be, highly motivated and well trained to carry out its responsibilities. The following strategic goals and objectives provide the framework that guides OIG's work and activities for FYs 2016–2018:

## OIG Strategic Plan

OIG's FY 2016–2018 Strategic Plan affirms its commitment to providing quality oversight



### GOAL 1 Promote Positive Change

Strengthen the ability of Department and BBG to effectively and efficiently advance U.S. foreign policy goals and protect U.S. citizens and interests abroad

#### OBJECTIVE

- 1.1 Enhance the Department's ability to protect its overseas employees, facilities, and information
- 1.2 Promote effectiveness and efficiency in foreign assistance programs
- 1.3 Strengthen management of the U.S. diplomatic presence
- 1.4 Communicate OIG findings and recommendations to Department and BBG leadership, OMB, and the Congress



### GOAL 3 Address Core Challenges

Assist the Department and BBG to identify and address systemic challenges

#### OBJECTIVE

- 3.1 Improve integrity in financial, leadership, management, and support systems and identify systemic weaknesses
- 3.2 Assess Department and BBG risk management and target oversight to areas of greatest risk and impact
- 3.3 Identify and report on major vulnerabilities and emerging issues



### GOAL 2 Foster Increased Accountability and Integrity

Increase accountability in Department and BBG personnel, programs, and operations

#### OBJECTIVE

- 2.1 Investigate allegations of criminal activity and employee misconduct
- 2.2 Enhance investigative capabilities and analytical mechanisms
- 2.3 Engage stakeholders to increase awareness of OIG programs and operations, solicit input, and build relationships



### GOAL 4 Harness Outstanding Talent, Leadership, and Effective Operations

Develop a collaborative and talented staff, ensure clear direction from leadership, effectively manage resources, and deliver quality products and services

#### OBJECTIVE

- 4.1 Attract, develop, and maintain a highly qualified, motivated, results-oriented, and diverse workforce
- 4.2 Support and strengthen the independence and security of OIG information systems and physical infrastructure
- 4.3 Maintain excellent management controls and communication, improve financial management, and balance workload and oversight needs
- 4.4 Effectively communicate OIG goals and priorities and encourage collaboration across the organization

## 2. COMMUNICATIONS AND OUTREACH

OIG communicates its global mission to Congress, Department and BBG employees and contractors, peers in the oversight community, and the public in a variety of ways.

### Communication With Congress

OIG regularly interacts with Members of Congress and their staffs by testifying at hearings, responding to congressional requests for information, and providing briefings to congressional staff on OIG work.

On July 7, 2016, the Inspector General and the Assistant Inspector General for Evaluations and Special Projects testified before the House Oversight and Government Reform Committee on oversight of the Department.

### Outreach and Educational Activities

To increase understanding of OIG's roles and responsibilities in government accountability and the prevention of waste, fraud, abuse, and mismanagement, the Inspector General and OIG leadership provided resource and background material and made presentations at several meetings at the Department and elsewhere during this reporting period.

On August 9, 2016, OIG's Assistant Inspector General for Investigations met with 20 individuals participating in the Department's International Visitor Leadership Program. The visitors, hailing from countries in Europe,

Asia, and Africa, toured multiple U.S. cities to meet with government, non-governmental organization, and business leaders to discuss accountability in government. The Assistant Inspector General for Investigations discussed how OIG's Office of Investigations works to improve the efficiency and effectiveness of Department programs and operations.

The Inspector General and the Assistant Inspector General for Inspections regularly make presentations on OIG activities and operations at the Department's Ambassadorial Seminar and to various bureaus within the Department. Additionally, during the reporting period, the Inspector General and Assistant Inspector General for Inspections met with nine ambassadors-designate before their overseas assignment.

### Hotline Complaints

During this reporting period, the OIG Hotline continued to serve as a vehicle through which Department and BBG employees and contractors, as well as members of the public, reported suspected fraud, waste, abuse, and mismanagement in Department and BBG programs and operations. OIG received Hotline complaints via the OIG website, mail, telephone, and email. For a summary of OIG Hotline complaints received in the past 6 months, see Table 2.1.

**Table 2.1**  
**OIG Hotline Complaints,**  
**4/1/2016–9/30/2016**

Referred to Other Offices for Action	635
Held for Action Within OIG	70
No Action Required	308
<b>Total Complaints Received</b>	<b>1,013</b>

As Figure 2.1 shows, the OIG Hotline has a global reach. The largest concentration of Hotline complaints (452, or 45 percent) received this reporting period concerned possible criminal, civil, or administrative violations in the United States.

### Whistleblower Protection Ombudsman Activities

The whistleblower protection ombudsman, a senior attorney in OIG’s Office of Evaluations and Special Projects, educates Department and BBG employees, as well as contractor and grantee employees, on the rights and protections available to whistleblowers. This outreach has included individual counseling, a new hotline poster, an educational video available on OIG’s website, and a pamphlet with information on whistleblower protection for Department and BBG employees and contractor and grantee employees.

**Figure 2.1**  
**Hotline Complaints, Processed by Country, 4/1/2016–9/30/2016**



**Source:** Office of Investigations electronic case management system.

The ombudsman also oversees investigations of allegations of retaliation filed by employees of contractors, subcontractors, and grantees, as required by the National Defense Authorization Act for Fiscal Year 2013. OIG whistleblower protection ombudsman activities during this reporting period are summarized in Table 2.2.

**Table 2.2**  
**Whistleblower Investigations Under the National Defense Authorization Act, 4/1/2016–9/30/2016**

Complaints received and reviewed	7
Investigations opened	4
Investigations completed	2

In addition to these responsibilities, the ombudsman investigates complaints under Presidential Policy Directive 19, which ensures that government employees who are eligible for access to classified information can effectively report waste, fraud, and abuse while still protecting classified national security information.

Finally, in June 2016, OIG achieved certification by the Office of Special Counsel under its 2302(c) certification program, which ensures that employees are informed of the rights and remedies available to them under the Civil Service Reform Act, the Whistleblower Protection Act, the Whistleblower Protection Enhancement Act, and related laws. All OIG employees received training on these legal protections, and OIG placed informational posters in all of its workspaces.

### 3. OVERSEAS CONTINGENCY OPERATIONS

OIG has both oversight and reporting responsibilities for overseas contingency operations under Section 8L of the Inspector General Act of 1978. Section 8L is triggered when the Department of Defense (DoD) declares that a military operation constitutes an OCO or when an operation results in troops being called to or retained on active duty.

When an OCO is declared, Section 8L activates a “Lead Inspector General” mechanism that requires concerted action by the three OIGs of the Department of State, DoD, and the U.S. Agency for International Development (USAID), with one of them designated as the Lead Inspector General.

During this reporting period, OIG fulfilled its oversight and reporting obligations for two ongoing OCOs that had previously triggered the Lead Inspector General mechanism: Operation Inherent Resolve in Iraq and Syria in 2014, and Operation Freedom’s Sentinel in Afghanistan in 2015. A third OCO, Operation United Assistance, concluded in 2015.

OIG aligns its oversight responsibilities with the defined missions of each OCO. For Operation Inherent Resolve, that mission is to degrade and ultimately destroy ISIL. For Operation Freedom’s Sentinel, the mission is to pursue the U.S. counterterrorism strategy against al Qaeda and ISIL affiliates in Afghanistan and to support the train, advise, and assist missions led by the North Atlantic Treaty Organization in that country.

In OCO-related activity this reporting period, OIG auditors questioned the Department’s approval of incentive and overtime pay to a contractor that supplied basic life support services—such as food, water, and fuel—for U.S. personnel working in Baghdad. The

auditors believed these payments were unnecessary under the terms and conditions of the contract. As a result, OIG issued a management assistance report applicable to Department contracts in Iraq and the region as the audit of the basic life support contract continued. In another report, OIG auditors found that the Department had only partially implemented FY 2013 requirements for contracting in critical environments. In addition, in August 2016, OIG reported on its audit of aeromedical evacuation contracts related to the now-completed Operation United Assistance OCO, which had the mission to support Ebola response activities.

OIG inspections also examined OCO-related issues. For example, OIG inspectors addressed whether Embassy Cairo effectively coordinated and supported counter-ISIL programs and operations.

OIG special agents and USAID-OIG are jointly investigating alleged fraud schemes conducted by local non-governmental organizations’ procurement staff and vendors involving multiple U.S. grants in southeast Turkey. As of the end of the reporting period, the dollar amount of kickbacks under investigation was estimated to be in excess of \$1 million. Limited information about this investigation has been released because of law enforcement and operational security concerns. OIG opened its preliminary investigation in December 2015.

Finally, in September 2016, OIG published a resource for Department managers and personnel working in areas affected by an OCO, or similarly challenging environments, entitled *Summary Guide to Overseas Contingency Operations Oversight Lessons Learned*.

The report summarizes practical observations gleaned from experiences of the oversight community in Iraq and Afghanistan since 2001.

For a list of OIG activities in support of the LIG-OCO mandate, see Table 3.1.

**Table 3.1**  
**OIG Oversight Activities in Support of the LIG-OCO Mandate, 4/1/2016–9/30/2016**

<b>Completed Projects</b>	
<b>Audit Reports</b>	
<i>Additional Actions Are Needed To Fully Comply With Section 846 of the National Defense Authorization Act for Fiscal Year 2013 Concerning Critical Environment Contracting (AUD-MERO-16-50)</i>	9/2016
<i>Audit of the Bureau of Political-Military Affairs Federal Assistance Awards (AUD-SI-16-49)</i>	9/2016
<i>Audit of the Aeromedical Biological Containment Evacuation Contracts Within the Bureau of Medical Services (AUD-CGI-16-40)</i>	8/2016
<i>Audit of the Bureau of Near Eastern Affairs Financial Management of Grants and Cooperative Agreements Supporting the Middle East Partnership Initiative (AUD-MERO-16-42)</i>	7/2016
<i>Audit of Task Orders for the Union III Compound Awarded Under the Operations and Maintenance Support Services Contract (AUD-MERO-16-41)</i>	7/2016
<i>Management Assistance Report: Questionable Practices Regarding the Department of State Baghdad Life Support Services (BLiSS) Contract, Including Suspected Use of Cost-Plus-a-Percentage-of-Cost Task Orders (AUD-MERO-16-27)</i>	6/2016
<i>Improvements Needed To Strengthen Vehicle-Fueling Controls and Operations and Maintenance Contract at Embassy Kabul, Afghanistan (AUD-MERO-16-35)</i>	4/2016
<i>Audit of Local Guard Force Contractors at Critical- and High-Threat Posts (AUD-SI-16-33)</i>	4/2016
<b>Inspection Reports</b>	
<i>Inspection of Embassy Ankara, Turkey (ISP-I-16-24A)</i>	9/2016
<i>Classified Annex to Inspection of Embassy Ankara, Turkey (ISP-S-16-24A)</i>	9/2016
<i>Inspection of Embassy Cairo, Egypt (ISP-I-16-15A)</i>	4/2016

(continued on next page)

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Audit of the Administration and Oversight of Grants Within the Office To Monitor and Combat Trafficking in Persons

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Audit of Assistance to Afghanistan Refugees in Pakistan

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Audit of Jordan Fuel Acquisition and Distribution

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Follow-up Review of Explosive Detection Dogs in Iraq and Afghanistan

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**Inspections**

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Inspection of Embassy Islamabad and Constituent Posts

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Inspection of Bureau of Population, Refugees, and Migration

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Inspection of the Middle East Broadcasting Networks, Inc.

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Inspection of Bureau of Near Eastern Affairs

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Inspection of the Bureau of Democracy, Human Rights, and Labor

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Inspection of the Bureau of South and Central Asian Affairs

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## 4. CONSOLIDATED FINANCIAL IMPACT OF OIG WORK

Although much of OIG's work cannot be quantified financially, OIG returns significant value to U.S. taxpayers through its audits, evaluations, inspections, and investigations. For the reporting period, OIG issued 62 reports and identified more than \$9.3 million in potential monetary benefits to the Department. OIG's criminal, civil, and administrative investigations also led to more than \$4 million in recoveries and other monetary results this reporting period.

In addition to potential monetary benefits OIG identified in this reporting period, the Department identified almost \$30 million in monetary benefits as a result of OIG recommendations made in prior period reports. These amounts had not been reported previously by OIG.

During this reporting period, the Department and BBG made management decisions on more than \$222 million in potential monetary benefits identified by OIG during the current

and prior reporting periods. At the close of the reporting period, the Department had not yet taken action on OIG recommendations totaling approximately \$80 million, and BBG had no recommendations involving monetary benefits remaining for management decision. This represents a decrease of about \$213 million, or 73 percent, from approximately \$293 million in questioned costs and funds to be put to better use pending management decision at the beginning of the reporting period.



# OVERSIGHT OF DEPARTMENT OF STATE PROGRAMS AND OPERATIONS

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## 5. OFFICE OF AUDITS

The Office of Audits supports the Department in improving management; strengthening integrity and accountability; and ensuring the most efficient, effective, and economical use of resources.

Audit work focuses on areas of concern such as physical security at overseas posts; financial and IT security and management; contracts, acquisition, and grant management; human capital and administrative issues; and high-risk programs and operations in the front-line states of Afghanistan, Iraq, and Pakistan.

From April 1, 2016, to September 30, 2016, the Office of Audits issued 19 reports on Department programs and operations, 16 of which were unclassified.

### Contracts, Grants, and Infrastructure

#### *Audit of the Department of State Travel Card Program* (AUD-CGI-16-48, 9/2016)

OIG conducted this audit to determine whether Department travel cardholders (1) obtained cash advances in accordance with regulations, (2) used their Government-issued cards only for purchases allowed by laws and regulations, and (3) obtained and used their Government-issued cards for travel expenses in accordance with regulations. OIG also addressed whether the Bureau of the Comptroller and Global Financial Services (CGFS) closed travel card accounts in a timely manner when employees were separated from service. OIG identified 225 cardholders who obtained cash advances without a travel authorization and Department cardholders with 1,306 travel card transactions corresponding to prohibited or questionable merchant category codes. In

addition, employees did not always obtain and utilize a travel card as required. OIG made seven recommendations to improve internal controls for the Department's travel card program by developing or clarifying related policies, changing certain existing procedures, and developing new procedures, such as applying disciplinary actions uniformly to employees who misuse or abuse their travel cards.

#### *Audit of the Aeromedical Biological Containment Evacuation Contracts Within the Bureau of Medical Services* (AUD-CGI-16-40, 8/2016)

OIG conducted this audit to determine whether the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), and the Bureau of Medical Services (MED) properly administered and provided oversight of the aeromedical biocontainment evacuation contracts in accordance with requirements and whether MED received reimbursement for non-Department aeromedical biocontainment evacuations as required. Through A/LM/AQM, MED awarded the aeromedical biocontainment evacuation contracts in August 2014 and December 2014 to obtain an on-call aircraft to support the Department's responsibility overseas to provide medical evacuations to U.S. Government personnel and U.S. citizens.

OIG determined that A/LM/AQM and MED generally administered and provided oversight of the aeromedical biocontainment evacuation contracts in accordance with

requirements and that MED received reimbursement for non-Department aeromedical biocontainment evacuations as required. However, OIG found that some internal controls regarding the administration and oversight of the aeromedical biocontainment evacuation contracts could be strengthened to ensure these weaknesses do not become deficiencies in future aeromedical evacuation missions.

OIG found the A/LM/AQM quality assurance surveillance plans lacked a methodology for measuring and documenting the contractor's performance, as required by the Federal Acquisition Regulation and Foreign Affairs Handbook. Additionally, OIG found that MED's Office of Operational Medicine did not adequately segregate duties over the procurement and contracting practices, MED did not have a method to track the usage of emergency Ebola funds, and MED did not have a formal process in place to invoice for reimbursement of non-Department aeromedical biocontainment evacuations.

OIG made recommendations for the Department to improve internal controls regarding the administration and oversight of the aeromedical biocontainment evacuation contracts.

*Audit of Time and Material Expenses and Performance Incentive Payments Under the Bureau of Information Resource Management, Vendor Management Office Vanguard Program*  
(AUD-CGI-16-34, 5/2016)

Acting on OIG's behalf, an independent external auditor conducted this audit to determine whether time and material expenses for the Vanguard Information Technology Consolidation Program were allowable and supported and whether performance incentive payments

were made in accordance with the terms and conditions of the contract.

Time and material expenses were generally allowable according to the terms of the Vanguard Program task orders and Federal and Department guidance. However, the auditor questioned expenses of \$560,486 that were not adequately supported. One reason for this inadequate support is that the Bureau of Information Resource Management (IRM) did not have an adequate document retention policy for transferring documentation to a new contracting officer's representative (COR) or for maintaining electronic documentation in a shared location. The auditor also found that IRM did not document that all contract employees met the requirements of billed labor categories, as required, because CORs were generally unaware of the requirement to validate contractor qualifications against labor categories. Because IRM did not document that all contract employees met the requirements of billed labor categories, the Department may be relying on an unknown level of service.

In addition, the auditor found that performance incentive payments were generally made in accordance with contract criteria. However, the auditor identified unallowable performance incentive payments of \$6,585. This occurred, in part, because more than 300 different metrics must be tracked to calculate performance incentive payments, and the processes used by IRM employees to calculate and validate the amount of performance incentive payments were inconsistent, time-consuming, and manual in nature. As a result, Department employees were spending a significant amount of time and effort in tracking and administering performance incentive payments, and the cost of this time

and effort could potentially exceed the low dollar amount of the payments themselves.

OIG made eight recommendations to address the questioned costs of \$567,071 and to improve the Department's review process for invoices submitted under the Vanguard Program.

## Financial Management

### *Audit of Department of State Strategic Sourcing Efforts* (AUD-FM-16-47, 9/2016)

An independent external auditor, acting on behalf of OIG, performed this audit to determine the extent to which the Department had developed and implemented a strategic sourcing program that addresses Federal strategic sourcing guidance and goals. The auditor found that the Bureau of Administration complied with OMB guidance to identify a Strategic Sourcing Accountable Official, analyze procurement patterns, identify goods or services for which strategic sourcing should be implemented, and consider using Federal Strategic Sourcing Initiative programs. However, the Department did not fulfill the OMB goal for strategic sourcing, which required agencies to reduce the costs of acquiring common products and services by the strategic sourcing of new commodities or services. Further, although the Bureau of Administration identified 17 categories for potential strategic sourcing, only 3 initiatives were fully implemented; 4 other initiatives were started but not fully implemented; and no action was taken on 10 initiatives. In addition, the Department had not taken significant steps to consider strategic sourcing opportunities overseas. Further, for the strategic sourcing initiatives in place, domestic bureaus and

offices did not always purchase goods and services through the required programs.

The Department's strategic sourcing program is not effective, in part, because the Bureau of Administration has not developed a comprehensive Department-wide strategic sourcing program plan that includes a governance structure, goals and objectives, performance measures, and a communication plan. Further, the Bureau of Administration does not sufficiently monitor strategic sourcing activities to ensure that bureaus and offices are using the initiatives that are in place. As a result, the Department's ability to fully achieve the cost benefits of strategic sourcing is limited.

OIG made recommendations to the Department to improve its strategic sourcing efforts, including the establishment of a Department-wide Strategic Sourcing Council to collaborate effectively to implement and administer strategic sourcing initiatives that are identified.

### *Audit of Department of State FY 2015 Compliance With Improper Payments Requirements* (AUD-FM-16-38, 5/2016)

In accordance with the Improper Payments Information Act of 2002 (IPIA), as amended, an independent external auditor, acting on OIG's behalf, conducted an audit of the Department's FY 2015 compliance with improper payments requirements.

The auditor found that the Department was in compliance with improper payments requirements for FY 2015. The Department conducted risk assessments on programs that experienced a significant change in funding, which was all that was necessary for FY 2015. Specifically, CGFS evaluated whether or not

each program subject to IPIA, as amended, had a significant legislative or funding change, identified programs requiring improper payments risk assessments, and performed a risk assessment for each program using criteria defined by OMB.

Although the Department conducted the required risk assessments for programs that experienced a significant change in funding, it could have improved its process by considering other factors as well, such as percentage change in funding. By not considering additional factors, the Department may not have identified all programs that had increased risks of improper payments because of increased funding.

The auditor also found that the Department published its FY 2015 Agency Financial Report on its website and that the report included the required improper payments disclosures. However, one disclosure was incomplete. Specifically, CGFS did not disclose the complete amount of improper payments recaptured outside its payment-recapture audit activities. By not including complete information in its Agency Financial Report, the Department was not providing users with complete information about its efforts related to improper payments.

## Information Technology

*Information Report: Description of Policies and Computer Security Controls for Select Department of State Covered Systems* (AUD-IT-16-45, 8/2016)

The Consolidated Appropriations Act, 2016, Section 406, Federal Computer Security, requires the Inspector General of each covered agency to submit a report that contains

a description of controls used by that agency to protect sensitive information—personally identifiable information (PII) and national security data—maintained, processed, and transmitted by a covered system. OIG’s report described the policies and controls used by the Department for five required topics: (1) logical access policies and practices, (2) logical access controls and multi-factor authentication used, (3) the reasons logical access controls or multi-factor authentication have not been used, (4) information security management practices used for covered systems, and (5) policies and procedures that ensure information security management practices are effectively implemented by other entities such as contractors.

Only two of the six systems reviewed had system-specific logical access control policies. However, all six systems reviewed had system security plans that documented the security controls at the system level as required.

The Department has not fully implemented multi-factor authentication at the entity level; however, it has implemented other logical access compensating controls to govern privileged user access. Four of the six systems reviewed had either fully or partially implemented multi-factor authentication to govern system-level privileged user logical access. The two systems that did not utilize multi-factor authentication to govern logical access of privileged users relied on username and password combinations. Nevertheless, all six systems had some type of logical access controls in place.

According to Department officials, two of the six systems did not implement multi-factor authentication to govern system-level privileged user access because functional capabilities are not available. According to Department

officials, one system is currently planning multi-factor implementation, while the other is waiting for the Department to provide the functional capabilities necessary to implement multi-factor authentication to govern privileged user logical access.

With respect to information security management practices, the Department uses a federated model to manage software inventory. In addition, the Department has implemented a defense-in-depth information system program. Further, the Department monitors network traffic, detects and responds to incidents, and scans for security compliance and vulnerabilities. However, the Department has only partially implemented a system for preventing data loss and has not implemented technology for managing digital rights.

The Department's Foreign Affairs Manual contains a number of policies and procedures related to the implementation of information security management practices by other entities such as contractors.

*Management Assistance Report: Inactive Accounts Within the Department of State's Active Directory*  
(AUD-IT-16-37, 6/2016)

OIG reported that the Department did not comply with its own timeliness requirement for disabling inactive Active Directory accounts, as defined in its internal policies. The overall purpose of identity and access management in an IT system is to ensure that users and devices are authorized to access information and information systems. Users and devices must be authenticated to ensure that they have accurately identified themselves before they obtain access rights. Strong information system authentication requires

multiple factors. Without effective Active Directory management, the risk of unauthorized access is significantly increased and may result in the submission of false transactions, improper access to and dissemination of confidential data, and other malicious activities that may impede the Department's ability to achieve its core mission.

## Middle East Region Operations

*Additional Actions Are Needed To Fully Comply With Section 846 of the National Defense Authorization Act for Fiscal Year 2013 Concerning Critical Environment Contracting*  
(AUD-MERO-16-50, 9/2016)

Section 846 of the National Defense Authorization Act for Fiscal Year 2013 requires comprehensive risk assessments whenever contractors are involved in supporting overseas contingency operations and the development of mitigating actions for identified high-risk areas. The Department created the Critical Environment Contracting Analytics Staff (CECAS) to develop, coordinate, and implement these risk assessments and mitigation plans. OIG conducted this audit to determine whether CECAS and the applicable stakeholders—the Bureau of Diplomatic Security and regional bureaus—conducted risk assessments, identified high-risk areas, and developed corresponding mitigating actions in accordance with Section 846.

OIG reviewed the Department's risk assessments and mitigation plans for Afghanistan and Iraq and identified two issues. First, OIG found that, although CECAS and the stakeholders conducted comprehensive risk assessments, they did not always develop mitigating actions. As shown in Table 5.1, OIG could not



identify mitigating actions for 14 of the 32 high-risk areas in Afghanistan and 32 of the 52 high-risk areas in Iraq. CECAS believed it could not develop mitigating actions for several key risks because CECAS determined that these risks were outside the scope of Section 846 requirements, not applicable to specific contracts, or Department-wide issues beyond its authority to resolve.

Second, Section 846 requires that each risk mitigation plan include measurable implementation milestones and an oversight process for monitoring, measuring, and documenting the progress of each mitigating action. OIG found, however, that none of the mitigation plans reviewed had measurable milestones or identified oversight processes. Although CECAS was responsible for devel-

**Table 5.1**  
**High-Risk Areas Identified and With Corresponding Mitigating Action**

Risk Considerations	Number of High-Risk Areas					
	Afghanistan			Iraq		
	Total Identified	Mitigating Action	No Mitigating Action	Total Identified	Mitigating Action	No Mitigating Action
The goals and objectives of the operation	3	1	2	9	1	8
The continuity of the operation	2	1	1	7	2	5
The safety of military and civilian personnel of the United States if the presence or performance of contractor personnel creates unsafe conditions or invites attacks	5	5	0	6	5	1
The safety of contractor personnel employed by the covered agency	7	7	0	7	6	1
The managerial control of the Government over the operation	0	0	0	6	2	4
The critical organic or core capabilities of the Government, including critical knowledge or institutional memory of key operations areas and subject-matter expertise	0	0	0	1	0	1
The ability of the Government to control costs, avoid organizational or personal conflicts of interest, and minimize waste, fraud, and abuse.	15	4	11	16	4	12
<b>Totals</b>	<b>32</b>	<b>18</b>	<b>14</b>	<b>52</b>	<b>20</b>	<b>32</b>

**Source:** CECAS risk assessments and mitigation plans for Afghanistan and Iraq

oping, coordinating, and implementing the mitigation plans, CECAS believed that it was not responsible for developing milestones or oversight processes. A May 2016 revision to 14 Foreign Affairs Manual 240 clarified that, although CECAS is responsible for coordinating the mitigation plans that include these requirements, the funding entity involved is responsible for developing the milestones and oversight processes. Notwithstanding this clarification, the mitigation plans continue to lack milestones and do not identify oversight processes. As a result, the Department does not have evidence that risks associated with contractor performance in Afghanistan and Iraq are being effectively mitigated.

*Audit of the Bureau of Near Eastern Affairs  
Financial Management of Grants and  
Cooperative Agreements Supporting the  
Middle East Partnership Initiative  
(AUD-MERO-16-42, 7/2016)*

Acting on behalf of OIG, an independent external auditor conducted this audit to determine the extent to which the Bureau of Near Eastern Affairs (NEA) ensured that grant and cooperative agreement expenditures for the Middle East Partnership Initiative (MEPI) were allowable, allocable, reasonable, supported, and made in accordance with the terms and conditions of the award agreement. MEPI is the U.S. Government's primary tool for supporting civil society in the Middle East and North Africa, awarding grants and cooperative agreements to non-governmental organizations, private-sector organizations, academic institutions, and government institutions in the United States and abroad. From FY 2012 to FY 2015, Congress appropriated approximately \$253.3 million for MEPI.

The auditor reviewed 20 MEPI grants and cooperative agreements awarded in FYs 2012–2014, collectively valued at \$18.9 million. The auditor then selected a sample of expenditures totaling \$6.7 million for detailed analysis and questioned approximately \$1.5 million as either unsupported or unallowable. When extrapolated over the 20 sampled awards, the auditor estimated a total of \$3.3 million in potentially unallowable and unsupported expenditures. The questioned costs occurred in part because NEA did not independently verify that award recipients had established sufficient financial management controls. In addition, during site visits, NEA did not consistently validate financial controls, review recipient expenditures, or determine whether funds were spent in accordance with cost principles, as recommended by the Department's Grants Policy Directives. Without procedures to monitor the financial management of award recipients, NEA could not easily determine if funds were being spent in accordance with laws and regulations.

OIG made four recommendations to address the approximately \$1.5 million in questioned costs and improve NEA's monitoring of grant expenditures.

*Audit of Task Orders for the Union III  
Compound Awarded Under the Operations  
and Maintenance Support Services Contract  
(AUD-MERO-16-41, 7/2016)*

On behalf of DoD, the Department awarded two task orders to PAE Government Services, Inc. (PAE), under the Operations and Maintenance Support Services contract in Iraq for the revitalization, transition, and sustainment of the Union III Compound in Baghdad. DoD reimburses the Department for the

services provided via these task orders, which totaled \$36.3 million as of March 2016. OIG conducted this audit to determine whether A/LM/AQM and NEA were administering and overseeing the task orders for the Union III Compound in accordance with acquisition regulations and Department requirements.

OIG found that A/LM/AQM and NEA officials did not adequately plan oversight activities for the task orders. Specifically, officials did not prepare comprehensive planning documents, formally assign oversight personnel, or ensure oversight personnel adequately documented the contractor's performance. In addition, A/LM/AQM did not comply with statutory and Department requirements to definitize the task orders within the given time or performance limit (180 days after award or the completion of 40 percent of the work, whichever occurs first). Further, NEA approved the payment of invoices under one task order that included \$381,658 in unallowable contractor fees. After OIG brought this issue to the Department's attention, NEA identified an additional \$122,341 in unallowable contractor fees paid against the second task order.

OIG made four recommendations to NEA to improve its oversight processes for the Union III Compound task orders, including developing a performance work statement and quality assurance surveillance plan in accordance with acquisition regulations. OIG made six recommendations to A/LM/AQM, including taking action to definitize the task orders, recover approximately \$500,000 in unallowable contractor fees, and properly designate oversight personnel. Based on the responses received from the Department, OIG considers seven recommendations resolved and three unresolved.

*Management Assistance Report:  
Questionable Practices Regarding the  
Department of State Baghdad Life Support  
Services (BLISS) Contract, Including  
Suspected Use of Cost-Plus-a-Percentage-of-  
Cost Task Orders*  
(AUD-MERO-16-27, 6/2016)

In July 2013, the Department awarded PAE the Baghdad Life Support Services (BLISS) contract—a 5-year indefinite delivery, indefinite quantity contract (base plus 4 option years) with a not-to-exceed cost of \$1 billion—to provide life support and logistics functions for Department personnel at various sites in Iraq. As of October 2015, the Department had issued 15 task orders under this contract, with a total estimated value of \$536 million. Four of these task orders were to provide overtime pay and incentive pay to the contractor, and an additional time-and-materials task order provided for incentive fees. OIG examined the extent to which the task orders for incentive pay and time-and-materials complied with acquisition regulations.

Based on information it received during its fieldwork, OIG initially concluded that the task orders constituted an impermissible cost-plus-a-percentage-of-cost arrangement. However, based on the Department's January 2016 response to the draft report, OIG cannot now make a determination on this issue. Accordingly, this management assistance report addressed concerns with the timing of the Department's January 2016 written justification documenting the award of overtime and incentive pay task orders, as well as the Department's use of the "changes" clause to provide additional "flexibility" to PAE.

The draft report contained five recommendations regarding the task orders in question. Although the Department did not concur with those recommendations, it stated in its response that it (1) discontinued the security crisis overtime pay on September 14, 2015; (2) would discontinue the security crisis incentive pay as of January 4, 2016; and (3) would deobligate all remaining unspent funds from the task orders. Accordingly, OIG considers all five recommendations offered in the draft report closed; no further action from the Department is required. OIG will continue to monitor the contract arrangements used by A/LM/AQM during OIG's ongoing audit of the BLISS contract, as well as other contracts in the region, and notify the Department promptly of any issues identified.

*Management Alert: Hazardous Electrical Current in Office and Residential Buildings Presents Life, Health, and Safety Risks at U.S. Embassy Kabul, Afghanistan (MA-16-01, 4/2016)*

During the course of an ongoing audit of the Bureau of Overseas Buildings Operations' (OBO) construction and commissioning of the New Office Annex and Staff Diplomatic Apartment building at the Embassy Kabul, OIG and the U.S. Army Corps of Engineers (USACE) identified life, health, and safety risks to building occupants due to a type of hazardous electrical current—known as objectionable current—in both buildings.

OIG and the USACE team, which included master electricians from Task Force POWER (Protect Our Warfighters and Electrical Resources), identified objectionable current in both buildings. In the case of the New Office Annex, objectionable current measured 6 amps more than the level that the Centers

for Disease Control and Prevention (CDC) has determined is likely to result in cardiac arrest, severe burns, and probable death. With respect to the residential apartment, objectionable current measured 17 amps more than the level of amperage that the CDC has determined is likely to result in death. The most common causes of objectionable current are improperly installed electrical wiring, equipment, and faulty electrical appliances.

OIG recommended that Embassy Kabul and OBO take immediate action to (1) examine the installation of electrical wiring, equipment, and appliances in the New Office Annex and Staff Diplomatic Apartment building to ascertain the cause of the objectionable current; (2) determine what mitigation measures can be immediately taken to eliminate or reduce risk to personnel occupying the buildings; and (3), to the extent necessary, inform residents of the existence of objectionable current and the risks associated with it and provide instructions on how to eliminate or avoid accompanying hazards.

*Improvements Needed To Strengthen Vehicle-Fueling Controls and Operations and Maintenance Contract at Embassy Kabul, Afghanistan (AUD-MERO-16-35, 4/2016)*

OIG conducted this audit to determine whether Embassy Kabul had implemented adequate controls to safeguard and account for purchased fuel and whether PAE, the embassy's operations and maintenance contractor, performed its fuel-monitoring duties in accordance with the statement of work. OIG found that the effectiveness of controls to safeguard and account for fuel throughout the receipt and distribution process at Embassy Kabul varied. As a result, OIG determined that the

embassy may have been overbilled by at least \$160,000 between January 2013 and March 2014. In addition, OIG found that four of eight controls in place at the embassy's vehicle-fueling station were ineffective and allowed for unauthorized access to fuel. OIG also found that the embassy approved and paid \$1.21 million in fuel invoices without proper supporting documentation.

OIG also found that PAE staff performed an inherently governmental function by accepting generator fuel deliveries on behalf of the embassy—in effect authorizing payment to National Fuels, Inc., the fuel provider. Although PAE is authorized to inspect and verify the fuel received, the Foreign Affairs Manual requires that a U.S. Government employee must officially accept the fuel.

Lastly, OIG found that the fueling station office location did not fully comply with egress standards and presented a safety concern for those individuals who need to access it.

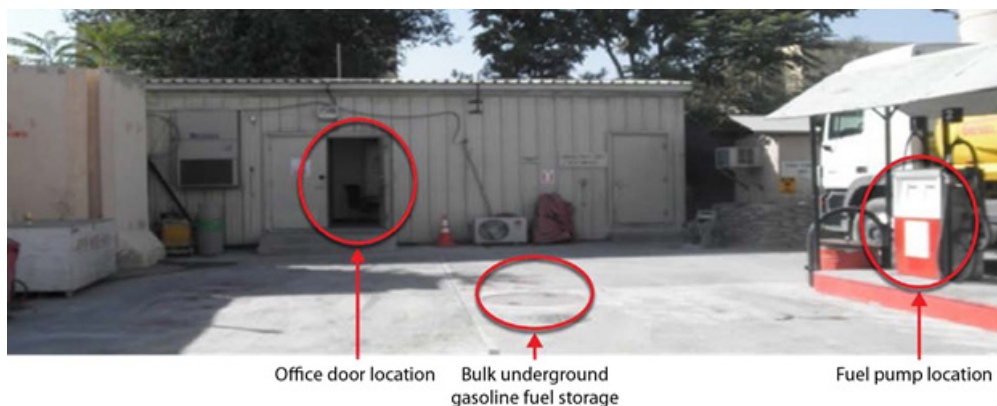
OIG made 10 recommendations to Embassy Kabul to improve fuel operations, including increasing oversight of PAE, updating the embassy's vehicle-fueling system to prevent

unauthorized access to fuel and promote accountability, reviewing \$1.21 million in unsupported costs, and relocating the fueling station office on the embassy compound to a location that offers sufficient egress capacity.

## Security and Intelligence

*Compliance Follow-up Review of the Department of State's Implementation of Executive Order 13526, Classified National Security Information*  
(AUD-SI-16-43, 9/2016)

In March 2013, OIG reported that the Department had generally adopted classification policies, procedures, rules, and regulations prescribed by Executive Order 13526. However, in that report, OIG identified instances where the Department did not effectively follow and administer certain key requirements. OIG conducted this compliance follow-up review to determine whether actions taken by the Bureau of Administration and other responsible bureaus fully addressed the deficiencies identified in its March 2013 report. OIG conducted this review pursuant to the Reducing Over-Classification Act of 2010.



Fueling Station Office at Embassy Kabul. (OIG photo).

OIG found that fewer than 14 percent of security-cleared employees had completed the required training within the timeframe considered in this review. In addition, the Department had not implemented the sanction provision in the Executive Order that suspends an individual's classification authority until training is completed. These conditions occurred in part because the Bureau of Administration had not provided adequate guidance specifying how the process for suspending classification authority should work. When Department employees and contractors are unaware of classification standards, there is an increased risk that information could be incorrectly marked, misclassified, or improperly restricted or disseminated.

OIG also found that the Bureau of Administration had established a process to self-inspect its classification program. However, in one self-inspection, the bureau did not include a representative sample of all classified documents, as required, because it had not captured all classified documents during its annual count of classification decisions. Bureau of Administration officials acknowledged that they lacked the resources to fully comply with the requirements of Executive Order 13526.

OIG modified and reissued one recommendation from its previous report and issued seven new recommendations. The recommendations included issuing guidance, policies, and procedures to further strengthen the Department's classification program.

*Audit of the Bureau of Political-Military Affairs Federal Assistance Awards (AUD-SI-16-49, 9/2016)*

An independent external auditor performed this audit on behalf of OIG to determine the

extent to which the Bureau of Political-Military Affairs' (PM) grantees claimed expenses that were allowable, allocable, reasonable, supported, and made in accordance with Federal requirements; and the extent to which unliquidated obligations associated with PM's grants and cooperative agreements remained valid.

The auditor found that \$2.8 million (18 percent) of \$15.8 million in grant expenditures tested for this audit were unsupported or unallowable, as defined by Federal policies. These questioned costs occurred, in part, because PM's grant monitoring process was not sufficiently designed to prevent or detect unallowable and unsupported costs. PM did not independently verify that all award recipients have sufficient financial management controls in place to prevent unsupported and unallowable costs. Further, during site visits, PM did not review recipient expenditures as recommended by Department guidance. Without reviews of recipient expenditures, it is difficult for PM to ensure grantees are performing the activities that are being funded. Further, the funds expended on questioned costs may have been put to better use.

The auditor did not identify any invalid unliquidated obligations as a result of its test work. According to PM officials, program managers, who have direct knowledge of award status, review unliquidated obligations monthly; the grants officer verifies the status of all unliquidated obligations; and, in cases where a grant's period of performance has ended, PM will promptly adjust the obligation.

OIG made three recommendations to address the deficiencies relating to PM's grant monitoring process, as well as the \$2.8 million in identified questioned expenditures that were either unsupported or unallowable costs, and

\$2.6 million in statistically projected questioned costs.

*Audit of Local Guard Force Contractors at Critical- and High-Threat Posts*  
(AUD-SI-16-33, 4/2016)

OIG conducted this audit to determine whether (1) local guard force (LGF) contractors at selected critical- and high-threat overseas posts are complying with general and post orders included in the contract, (2) LGF contractors at selected critical- and high-threat overseas posts provide invoices that comply with contract requirements, and (3) regional security officers at selected critical- and high-threat overseas posts perform oversight of the LGF contract in accordance with their COR delegation memoranda. OIG found that the guards working for the four LGF contractors at four overseas missions complied with, on average, greater than 90 percent of security-related guard post orders observed. However, OIG identified deficiencies that were common across two or more missions related to access control procedures, equipment, unofficial reassignment of post orders, delivery and mail screening procedures, and reporting and investigating procedures.

OIG also found that some guards did not receive a proper number of breaks. Deficiencies generally occurred because of human error, lack of refresher training, and unavailable equipment. These deficiencies, if not addressed, could negatively affect the performance of security procedures that are intended to maintain post security and are required by the LGF contract. OIG also found that one LGF contractor did not adhere to the contractually required invoice format or to the schedule for submitting invoices. Finally, OIG found that not all assistant regional security officers (acting as CORs, alternate CORs, and government technical monitors) (1) documented the contractors' performance or (2) maintained complete COR files. As a result, oversight was not properly documented; and without a complete COR file, the Government may not have the necessary documentation to defend its position of contractor nonconformance with contract terms, potentially resulting in paying for services that do not meet contract requirements. OIG made 18 recommendations to the Department, including the Bureau of Administration, the Bureau of Diplomatic Security, and three of the four diplomatic missions audited.

## Ongoing Audit Work

At the close of this reporting period, the Office of Audits was continuing to focus on Department programs implemented in Iraq and Afghanistan. Most notably, it was conducting an audit of foreign assistance monitoring in Iraq and an audit of the process for reviewing invoices submitted under contracts awarded for work performed in Iraq and Afghanistan. The office was also conducting an audit of the commissioning of several new buildings on the Embassy Kabul compound and was evaluating fuel operations in Iraq, an area of vulnerability that OIG has documented at other high-threat posts. Further, the Office of Audits was conducting work on the Department's armored vehicle program, cost-of-living allowances, industrial control systems at select high-threat posts, and terrorist screening efforts.

## 6. OFFICE OF EVALUATIONS AND SPECIAL PROJECTS

The Office of Evaluations and Special Projects strengthens OIG's oversight of the Department and improves OIG's capabilities to provide whistleblower protections.

This office also reviews allegations of administrative misconduct by senior officials and issues management alerts and management assistance reports to highlight urgent needs for corrective actions, as well as capping reports on thematic areas of concern. It also conducts special evaluations and reviews, including responses to congressional inquiries. This office's work complements the work of OIG's Offices of Audits, Investigations, and Inspections by developing a capacity to focus on broader systemic issues.

From April 1, 2016, to September 30, 2016, the Office of Evaluations and Special Projects issued two reports related to Department programs and operations, both of which were unclassified.

*Department of State Has Administrative Leave Policies but Lacks Complete and Accurate Data on the Use of Leave (ESP-16-04, 09/2016)*

In response to a request from Congress, OIG evaluated the use of administrative leave, which is granted as an authorized absence from duty without loss of pay or use of leave. At the Department, administrative leave can be authorized in 26 circumstances not related to conduct. Employees under investigation for misconduct may also be placed on administrative leave if their continued presence in the workplace may pose a threat to the employee or to others, may result in loss of or damage

to government property, or may otherwise jeopardize legitimate government interests.

OIG could not determine the amount of administrative leave used by Department employees from January 2011 to January 2015, and the circumstances surrounding the use of such leave, because the Department did not provide OIG with sufficient data to make these determinations. OIG identified two key deficiencies in the data the Department provided: (1) the Department lacks a centralized source of information regarding the justification for why administrative leave is granted, and (2) Bureau of Human Resources data on the hours of administrative leave used conflicts with data from individual employing offices.

OIG made two recommendations to the Department to ensure that its new payroll systems can collect information regarding the justification for granting administrative leave and to identify and remedy the causes of the discrepancy with its administrative leave records.

*Office of the Secretary: Evaluation of Email Records Management and Cybersecurity Requirements (ESP-16-03, 5/2016)*

In April 2015, OIG initiated a review of the Department's policies and procedures concerning the use by the five most recent



Secretaries of State and their immediate staffs of non-Departmental hardware and software to conduct official business. OIG issued four reports from this review, including this final evaluation of the effectiveness of electronic records management practices involving the Office of the Secretary, compliance with records management requirements, and information security requirements related to the use of non-Departmental systems.

OIG found that management weaknesses at the Department have contributed to the loss or removal of email records, particularly records created by the Office of the Secretary. These weaknesses include a limited ability to retrieve email records, inaccessibility of electronic files, failure to comply with requirements for departing employees, and a general lack of oversight. OIG also determined that email usage and preservation practices varied across the tenures of the five most recent Secretaries and that, accordingly, compliance with statutory, regulatory, and internal requirements varied as well. Finally, OIG examined Department cybersecurity regulations and

policies that apply to the use of non-Departmental systems to conduct official business.

Although there were few such requirements 20 years ago, over time, the Department has implemented numerous policies directing the use of authorized systems for day-to-day operations. In assessing these policies, OIG examined the facts and circumstances surrounding three cases where individuals exclusively used non-Departmental systems to conduct official business.

OIG made eight recommendations, including issuing enhanced and more frequent guidance on the permissible use of personal email accounts to conduct official business, amending Departmental policies to provide for administrative penalties for failure to comply with records preservation and cybersecurity requirements, and developing a quality assurance plan to address vulnerabilities in records management and preservation. The Department concurred with all of OIG's recommendations.

## Ongoing Evaluations and Special Projects Work

At the close of this reporting period, the Office of Evaluations and Special Projects was conducting an evaluation of the Department's security clearance processes, as well as a review of passport revocation.

## 7. OFFICE OF INSPECTIONS

The Office of Inspections conducts independent assessments of the operations of the Department, its posts abroad, and related activities. OIG inspects each post and domestic bureau under the Foreign Service Act of 1980, which sets forth three broad areas for inspections: policy implementation, resource management, and management controls.

OIG’s mandated oversight work is thus considerable: The responsibilities of the Department’s domestic bureaus range from human resources and property management to refugees and counterterrorism; as shown in Figure 7.1, the regional bureau’s responsibilities span the globe, with each of the six bureaus focused on a specific geographical area. OIG also conducts thematic reviews of Department programs and operations and compliance follow-up reviews on some posts, offices, and bureaus previously inspected to ensure implementation of key recommendations.

From April 1, 2016, to September 30, 2016, the Office of Inspections issued 32 reports

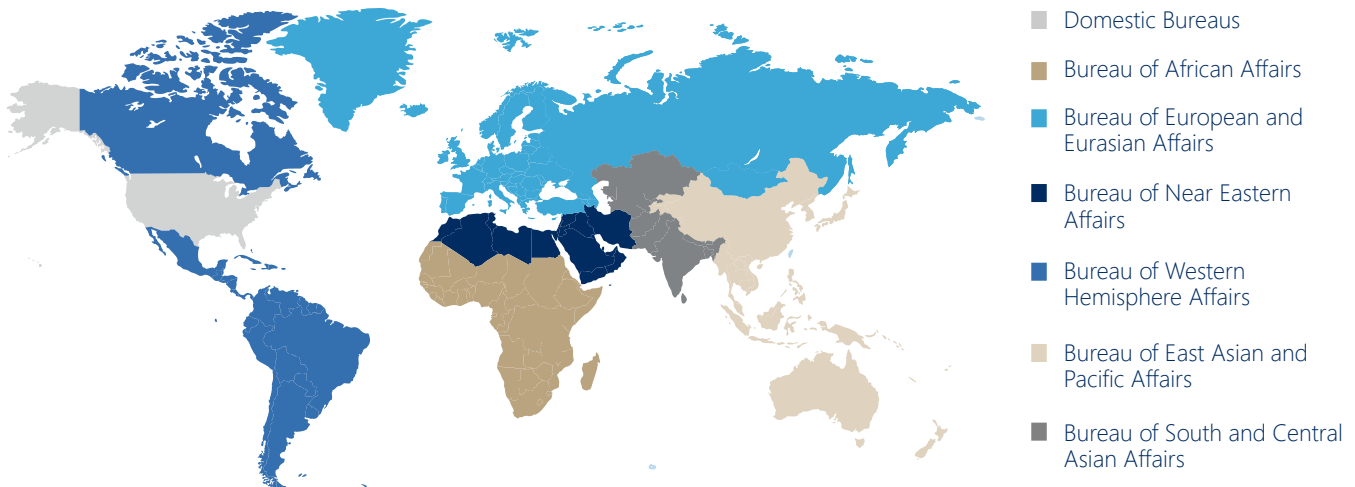
related to Department programs and operations, 15 of which were unclassified.

### Domestic Bureaus

*Inspection of the Bureau of Diplomatic Security, Threat Investigations and Analysis Directorate*  
(ISP-I-16-28A, 9/2016)

In its inspection, OIG found that the Threat Investigations and Analysis Directorate was accomplishing its stated mission “to protect life safety.” The directorate’s decision to shift to a proactive approach to threat management expanded its mission and workload

Figure 7.1  
Global Reach of Department Responsibilities and Mandated OIG Oversight



without a commensurate increase in human resources. While coordination and communication were effective at senior levels of the Threat Investigations and Analysis Directorate, senior managers did not communicate consistently with mid-level staff members, adversely affecting the directorate's ability to efficiently meet its defined objectives and goals.

OIG made five recommendations to the Bureau of Diplomatic Security to improve operations and internal control in the Threat Investigations and Analysis Directorate.

*Management Assistance Report: Armored Vehicle Training*  
(ISP-16-17, 4/2016;  
updated and reissued 7/2016)

OIG found that, from January 2010 to September 2015, operators of armored vehicles at U.S. missions overseas were involved in 773 mishaps, almost 60 percent of which were deemed preventable according to Department standards. Twelve of the mishaps resulted in 13 fatalities. Other consequences included hospitalizations and a total of more than \$4.5 million in property damages, of which 85 percent—almost \$3.9 million—was to the U.S. Government vehicles themselves. Mishap reports recommended driver training in 10 of the 12 mishaps involving fatalities. The Department provides specialized operator training that includes handling armored vehicle dynamics, but it is mandatory only for drivers of chiefs of mission and principal officers, none of whom were involved in the 12 fatal mishaps. OIG recommended that the Department establish a mandatory training requirement on armored vehicle safe-driving techniques for all overseas professional chauffeurs and incidental drivers who operate such vehicles.

*Management Assistance Report: Foreign Assistance Sustainability Is Not Clearly Defined in the Foreign Affairs Manual*  
(ISP-16-14, 4/2016)

The Department had not developed comprehensive guidance for bureaus on how to build sustainability into its foreign assistance programs that annually receive about \$17.6 billion in funding. OIG's review of the Foreign Affairs Manual and Foreign Affairs Handbook found that only 3 bureaus or offices, of the more than 20 that receive foreign assistance, had published references on sustainability. Volume 18 of the Foreign Affairs Manual, Chapter 005, established sustainability as a core foreign assistance principle but lacked specificity on how to incorporate sustainability into foreign assistance programs. Without consistent guidance, sustainability will continue to be incorporated unevenly into the design and evaluation of foreign assistance programs.

OIG recommended the Office of the Deputy Secretary for Management and Resources update Department guidance to incorporate sustainability into foreign assistance programs.

## Overseas Missions

### ***Bureau of African Affairs***

*Inspection of Embassy Kinshasa, Democratic Republic of the Congo*  
(ISP-I-16-19A, 6/2016)

In its inspection of Embassy Kinshasa, OIG found that mission leadership had not consistently communicated clear expectations of behavior and conduct to mission employees. Embassy Kinshasa was effectively focused on the three priority goals of its Integrated Country Strategy: peace and security, democracy



Embassy Kinshasa, Democratic Republic of the Congo. (ISP-I-16-19A, 6/2016)

and governance, and economic development and growth. The Government of Democratic Republic of the Congo changed regulations governing international adoptions, preventing Americans from taking their adopted children home. Resolving this issue had become an embassy priority. The embassy was not adequately prepared to respond to a man-made crisis or a natural disaster in Democratic Republic of the Congo or in a neighboring country. Built in 1950, the chancery had outlived its usefulness. Security upgrades and haphazard additions made it inadequate for mission needs.

OIG made recommendations to Embassy Kinshasa to strengthen management control procedures in the areas of purchase card oversight, time and attendance accountability, separation of duties, IT deficiencies, and operations in the City of Goma. OIG also made recommendations designed to bring public diplomacy in line with Department standards and to ensure that the embassy is

capable of responding to emergencies.

***Bureau of European and Eurasian Affairs***

***Inspection of Embassy Ankara, Turkey***  
(ISP-I-16-24A, 9/2016)

In its inspection of Embassy Ankara, OIG found that the Ambassador led a mission on the front lines of the fight against ISIL, the 5-year civil war in Syria, and the related refugee crisis. He had been a key participant in the interagency policy formulation process and advanced coordination between the United States and Turkey despite strains in the relationship. However, Embassy Ankara had the fourth longest backlog worldwide in processing Iranian immigrant visas. In addition, Embassy Ankara and Consulate General Istanbul were not well coordinated on diplomatic engagement strategy or management oversight. Consulate General Istanbul's focus on a narrow range of issues and its

heavy allocation of officers' time to internal meetings and visit support functions limited its effectiveness.

The Syria Transition Assistance Response Team, which falls under chief of mission authority, was an innovative approach to responding to the Syrian crisis that may be a model for operations in future high-risk environments. However, the Department's process for vetting program personnel and recipients of the Syria Transition Assistance Response Team's non-humanitarian aid impeded the delivery of high-priority assistance in Syria.

The report includes recommendations that the Bureau of Near Eastern Affairs (the Department's regional bureau responsible for Syria) and Administration reduce processing times for vetting potential assistance recipients and program personnel to conform with the Quadrennial Diplomatic and Development Review mandate to standardize risk management and mitigation. OIG also recommended that the embassy and the Bureau of Consular Affairs eliminate the backlog of Iranian immigrant visa cases. OIG made other recommendations to strengthen operations in the conduct of foreign relations, public diplomacy, consular services, and management oversight.

### ***Bureau of Near Eastern Affairs***

#### *Inspection of Embassy Cairo, Egypt* (ISP-I-16-15A, 4/2016)

Washington stakeholders credited the Ambassador to Egypt and the Deputy Chief of Mission with providing clear and effective leadership to an embassy that performed well in challenging circumstances. The Ambassador helped shape the U.S. Government's

evolving policy for U.S.-Egyptian relations. However, Embassy Cairo had not fully coordinated and integrated its crisis planning nor ensured that crisis training tests cross-functional aspects of its crisis plans. The Public Affairs Section, one of the 10 largest public affairs sections among all U.S. embassies, was rebuilding after several years of disruption but had not focused on strategic planning and direction. The embassy was spending public diplomacy funds on events without clearly branding them as U.S. Government-sponsored activities. After years of limited staffing, the Consular Section had made substantial progress in re-establishing internal controls and standardizing staff training but did not devote adequate attention to ensuring efficient delivery of services to the United States. The Management Section had made progress on strengthening oversight of internal controls, but senior managers paid insufficient attention to management controls for the purchase card program and contracts.

OIG identified \$133,200 in funds that could be put to better use by terminating leases for vacant residences in Alexandria.

OIG made recommendations that address management of foreign assistance, integration of crisis preparation across the agencies and offices, and the need for a more strategic approach to public diplomacy. The report also recommends strengthening management controls and oversight of IT operations.

**Bureau of Western Hemisphere Affairs**

*Inspection of Embassy Port of Spain, Trinidad and Tobago*  
(ISP-I-16-29A, 9/2016)

In its inspection of Embassy Port of Spain, OIG found that the chancery building was inadequate for secure diplomatic operations. Under the direction of the Management Officer, internal controls and customer service had improved. However, the Consular Section did not comply with Department procedures on processing visa referral cases, nor did the embassy comply with Department and Federal regulations on records management. Despite inadequate network infrastructure throughout the chancery and the two annex buildings, the information management staff received high marks for computer services

in the Department's 2015 annual customer satisfaction survey.

OIG made 10 recommendations to Embassy Port of Spain to improve management operations and internal controls.

*Inspection of Consulate General Curacao, Kingdom of the Netherlands*  
(ISP-I-16-26A, 9/2016)

In its inspection of Consulate General Curacao, OIG found that effective interagency cooperation facilitated the consulate general's attainment of key Integrated Country Strategy goals in the Dutch Caribbean. However, the small size of the consulate general created inherent internal control vulnerabilities. Advancing mission objectives in the Dutch Caribbean required working with three separate political entities, which increased



Consulate general compound in Willemstad, Curacao. (ISP-I-16-26A, 9/2016)

the workload of Consulate General Curacao's staff. The consulate general used record emails for some reports, but overall records management activities did not comply with Department standards. Consulate General Curacao effectively adjusted procedures to process a significant increase of visa applications.

OIG made recommendations to improve Consulate General Curacao's operations and internal controls. OIG also made a recommendation to the Bureau of Human Resources to authorize a comprehensive salary and benefit survey to evaluate the validity of the consulate general's local compensation plan.

*Inspection of Embassy Quito, Ecuador*  
(ISP-I-16-27, 9/2016)

In its inspection of Embassy Quito, OIG found that the Ambassador's and the Deputy Chief of Mission's leadership and engagement during the volcanic activity of Cotopaxi in 2015 demonstrated their commitment to the security and welfare of the mission. However, Public Affairs Section grants files did not comply with Department guidance on the administration of Federal assistance awards, and the mission lacked an effective records management program. Embassy Quito's end-use monitoring rate in 2015 was the third lowest of the 70 posts required to monitor items donated to host governments. An imbalance in the allocation of Public Affairs resources limited outreach capacity at Consulate General Guayaquil.

Embassy Quito and Consulate General Guayaquil integrated mission-wide consular activities. Mission Ecuador's professional development programs built key skills and improved integration of all mission elements, but its

termination process for locally employed staff members was not in accordance with local labor law.

The report includes recommendations to Embassy Quito to improve operations and internal control in the Public Affairs, Consular, and Management Sections. OIG also made a recommendation to address resource issues in the Public Affairs Section at Consulate General Guayaquil.

*Inspection of Embassy Belmopan, Belize*  
(ISP-I-16-25, 9/2016)

In its inspection of Embassy Belmopan, OIG found that, despite logistical difficulties inherent in the distance between the capital and the much larger Belize City, where most government officials reside, the Ambassador had cultivated relationships with the highest levels of the Belizean Government. This enabled the mission to promote U.S. Government interests. However, the lack of internal controls over non-official use of government resources weakened safeguards against waste, loss, unauthorized use, or misappropriation of funds, property, and other assets. The Bureau of Human Resources, Office of Overseas Employment, had not responded to three longstanding embassy requests submitted as part of the requirement to change the local compensation plan. Premium rates and use of compensatory time were inconsistent with local law and prevailing practice. In addition, Embassy Belmopan's ClassNet equipment and architecture were significantly outdated compared with that deployed worldwide. The Bureau of Information Resource Management canceled a planned Global Information Technology Modernization upgrade without warning as part of a worldwide suspension of installation activities.

The report includes recommendations to U.S. Embassy Belmopan to improve management operations and internal controls. It also includes recommendations to the Bureau of Human Resources to respond to the embassy's outstanding requests and to the Bureau of Information Resource Management to upgrade the ClassNet local area network.

*Inspection of Embassy Montevideo, Uruguay*  
(ISP-I-16-22A, 9/2016)

In its inspection of Embassy Montevideo, OIG found that the Chargé d'Affaires and Acting Deputy Chief of Mission practiced and encouraged information sharing and innovation, attributes of leadership emphasized in 3 Foreign Affairs Manual 1214. The Consular Section met management and internal controls requirements and used innovative projects to engage with the public. The Public Affairs Section initiated several innovative projects. The section was in substantial compliance with Department regulations on grants. However, Embassy Montevideo did not use record emails, even when the exchanges contained information that facilitated decision making and documented policy formulation and execution.

OIG made recommendations to U.S. Embassy Montevideo to improve embassy operations and internal controls.

*Inspection of Embassy Tegucigalpa, Honduras*  
(ISP-I-16-21A, 8/2016)

In its inspection, OIG found Embassy Tegucigalpa was a well-functioning mission, with leadership focused on advancing U.S. interests and maintaining a collegial atmosphere. However, the embassy did not conduct risk

assessments or develop monitoring plans for its Public Affairs Section's Federal assistance awards. This left the U.S. Government vulnerable to loss. The International Narcotics and Law Enforcement Affairs Section was not appropriately staffed. The embassy was finalizing plans to hire U.S. direct-hire, eligible family member, and locally employed staff to improve program continuity and increase oversight. The embassy lacked sufficient internal controls related to travel advances, overtime, night differential, and the duty officer program. The Political and Economic Sections did not archive non-reporting cable information. Although the embassy had recently issued a management memorandum outlining the Department's record email requirement and where to receive relevant training, neither section had adjusted its record keeping accordingly.

OIG made recommendations designed to improve Embassy Tegucigalpa's management operations and internal controls. The report also includes a recommendation that the Bureau of Information Resource Management complete the installation of its private branch exchange telephone system.

## Compliance Follow-up Reviews

*Compliance Follow-up Review of the Bureau of International Narcotics and Law Enforcement Affairs*  
(ISP-C-16-20, 7/2016)

In this compliance follow-up review, OIG determined that the Bureau of International Narcotics and Law Enforcement Affairs had implemented 27 of the 28 recommendations issued in OIG's September 2014 inspection report as of the beginning of this follow-up review. OIG found that the bureau had made



progress tracking Department-mandated training requirements but had not addressed bureau-specific competency training requirements. In addition, the Department's budgeting and accounting systems are not designed to manage foreign assistance. As a direct consequence, the Bureau of International Narcotics and Law Enforcement Affairs staff is required to engage in time-consuming, inefficient, and parallel processes to track the bureau's finances.

OIG issued a management assistance report in 2015 that placed responsibility for addressing this systemic problem with the Department rather than individual bureaus and included a recommendation that the Department develop a comprehensive plan to address foreign assistance tracking and reporting requirements.

OIG revised and reissued one recommendation that addressed the need to establish and track training requirements for program officers and financial management analysts.

*Compliance Follow-up Review of the Inspection of the Bureau of Diplomatic Security, High Threat Programs Directorate (ISP-C-16-18, 5/2016)*

OIG determined that the Bureau of Diplomatic Security and other bureaus had implemented 19 of the 22 recommendations issued in OIG's September 2014 inspection report on the bureau's High Threat Programs Directorate as of the completion of this compliance follow-up review. However, the Bureau of Diplomatic Security, the Office of the Legal Adviser, and the Bureau of Human Resources had not established memoranda of understanding with U.S. military commands for three liaison officer positions, as required by Department

policy. The Bureau of Diplomatic Security had not incorporated into the appropriate Foreign Affairs Manual section the changes in the Post Security Program Reviews specific to high-threat posts. In addition, the Bureau of Human Resources had made considerable progress but had not yet completed a comprehensive review of the structure, management, and manpower needs of the High Threat Programs Directorate.

OIG reissued 3 of the 22 recommendations issued in the original report. These concern establishing memoranda of understanding with U.S. military commands for all liaison positions; revising the Foreign Affairs Manual to include guidance for Post Security Program Reviews specific to high-threat posts; and undertaking a comprehensive review of the structure, management, and manpower needs of the High Threat Programs Directorate and making adjustments as necessary.

*Compliance Follow-up Review of the Review of the Department of State Disciplinary Process (ISP-C-16-16, 4/2016)*

In this compliance follow-up review, OIG determined that implementation was still pending, in varying stages, for the nine recommendations issued in OIG's December 2014 review of the Department's disciplinary process, as of the beginning of this follow-up review. OIG found that the Bureau of Human Resources had not updated the Civil Service and Foreign Service guidebooks to add the latest guidance and information on disciplinary issues, nor had it implemented a recusal policy for its officials and those in bureaus with delegated authority. In addition, the bureau had not implemented procedures to update delegation agreements and to estab-

lish reporting and evaluation mechanisms to monitor delegated bureaus' performance in administering disciplinary actions. OIG reissued or revised four of the nine recommendations from in the original report to address these issues.

### Ongoing Inspection Work

At the close of this reporting period, the Office of Inspections was completing inspections of seven U.S. embassies—Belgrade, Bratislava, Islamabad, Port Moresby, Rangoon, Sarajevo, and Zagreb. Additionally, it was completing inspection work on the Bureau of Population, Refugees, and Migration and on the Bureau of Consular Affairs, Office of Consular Systems and Technology. The office was also finalizing a thematic review of electronic filing requirements for non-competed purchase order acquisitions overseas.

The office had begun inspections of eight U.S. embassies—Accra, Bishkek, Colombo, Freetown, Jerusalem, Luanda, Monrovia, and Tel Aviv—as well as the Bureau of Near Eastern Affairs.

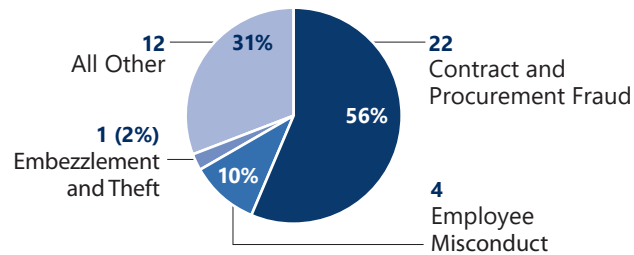
## 8. OFFICE OF INVESTIGATIONS

The Office of Investigations conducts worldwide investigations of criminal, civil, and administrative misconduct related to programs and operations of the Department. The office refers investigative results to the Department of Justice for prosecution and to the Department's Bureau of Human Resources, the Bureau of Diplomatic Security, the Office of the Procurement Executive, and other entities for administrative or other appropriate action.

OIG's growing involvement in complex investigations of crimes affecting Department employees, programs, and operations has resulted in significant actions—including convictions, settlements, recoveries, suspensions, and debarments—and continues to promote integrity and accountability of personnel and programs.

For a breakdown of cases closed this reporting period, see Figure 8.1. For a summary of actions related to OIG investigative activity this reporting period, see Table 8.1.

**Figure 8.1**  
**OIG Investigations Closed,**  
**4/1/2016–9/30/2016**



**Note:** Figures may not equal 100 percent due to rounding.

**Table 8.1**  
**OIG Investigative Activity Related to Department of State Programs and Operations,**  
**4/1/2016–9/30/2016**

<b>Preliminary Inquiries</b>	
Opened	43
Closed	38
<b>Investigations</b>	
Opened	35
Closed	39
Pending (9/30/2016)	12
<b>Criminal Actions</b>	
Arrests	0
Indictments/Informations	5
Convictions	9
<b>Civil Actions</b>	
Civil Judgments	0
<b>Administrative Actions</b>	
Removals (Resignation & Termination)	4
Suspensions/Revocations (Employee & Security Clearance)	3
Reprimands/Admonishments/Other	0
Contractors/Grantees Suspended	0
Contractors/Grantees Debarred	9
Cost Recovery	6
Funds Put to Better Use	6
<b>Investigative Monetary Results</b>	
Cost Recovery	\$813,861 <sup>a</sup>
Fine and Penalties	\$27,550
Forfeiture	\$1,238,908 <sup>b</sup>
Funds Put to Better Use (Cost Savings)	\$1,988,836
<b>Fraud Awareness Briefings</b>	<b>47</b>

<sup>a</sup>Includes \$4,664 from the previous reporting period not reported until the current period. The narrative sections of this report and the Summary of Performance table do not include this amount.

<sup>b</sup>Includes \$59,976 from the previous reporting period not reported until the current period. The narrative sections of this report and the Summary of Performance table do not include this amount.

**Figure 8.2**  
**Department-Related Cases and Preliminary Inquiries Closed, by Country,**  
**4/1/2016–9/30/2016**



**Source:** Office of Investigations electronic case management system.

OIG’s investigative efforts span the globe. As shown in Table 8.2 and Figure 8.2, of the 77 cases and preliminary inquiries closed this reporting period, 43 percent concerned activity in the United States, and approximately 57 percent concerned activity in other countries.

**Table 8.2**  
**Preliminary Inquiries and Cases Closed,**  
**4/1/2016–9/30/2016**

Type	Domestic	Overseas
Preliminary Closed	10	28
Case Closed	23	16

## Contract Fraud

In September 2016, following guilty pleas resulting from a multi-agency investigation involving a conspiracy to defraud several Federal agencies by issuing numerous fraudulent bonds to insure bids, performance, and pay-

ment for Government contracts, an individual was sentenced to 12 months of home detention and ordered to forfeit \$130,173. In addition, a co-conspirator was sentenced to 30 months in prison and ordered to forfeit \$1,108,734. Sentencing for a third individual is pending.

An investigation conducted by OIG special agents revealed that employees of a major contracting company conspired with local vendors in Afghanistan to bill for fuel deliveries that exceeded the capacity of fuel tanks in three locations. In April 2016, the company responsible for the overcharges reimbursed the Department \$168,206. As reported previously, two individuals were debarred for their role in the fraud scheme in August 2015.

In April 2016, the Department and a contractor signed an administrative settlement agreement in which the company agreed to repay the Department \$441,767 in excess invoiced costs. The settlement was the result of a joint

investigation by OIG, the Federal Bureau of Investigation, and the Special Inspector General for Afghanistan Reconstruction. The joint investigation determined the contractor billed the Department for local national meals using a method that did not comply with contract terms, resulting in inflated meal costs.

A joint OIG and Department of the Interior OIG investigation determined the Foreign Service Officer failed to follow established policy and mismanaged the program.

### Employee Misconduct

In June 2016, the Department terminated a rehired annuitant, who was serving in a senior Foreign Service Officer position, for administrative violations committed while representing the Department in an official capacity. The termination was the result of OIG special agents determining that the former Foreign Service Officer directly solicited the donation of an automobile from a prohibited source for a private charity event he hosted.

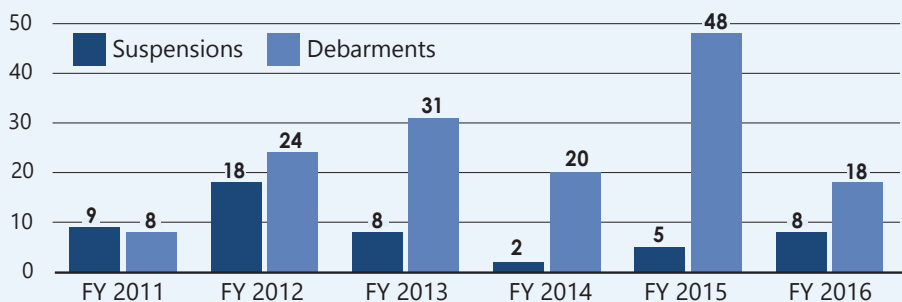
In June 2016, the Department suspended without pay for 24 days a senior Foreign Service Officer, who previously served on an assignment with OIG. During that assignment, the individual was responsible for oversight of the Government Purchase Card Program.

### Updates to Prior Cases

In April 2016, a Georgian court sentenced a Department locally employed staff member to 1 year in prison and 5 years of probation and ordered the individual to pay an \$8,600 fine for involvement in a large-scale theft of diesel fuel from Embassy Tbilisi. Previously, four Georgian nationals associated with the theft were also sentenced to at least 4 years of probation and ordered to pay fines in varying amounts. The sentencing was the result of a joint investigation by OIG and the Bureau of Diplomatic Security Regional Security Office that uncovered the theft of approximately \$2.3 million in diesel fuel from the embassy. In July 2016, post management withheld two more former employees' pensions, resulting in an additional \$45,000 in funds put to better use. The Department is reviewing 11 individuals to determine if suspension or debarment actions are warranted.

## Suspensions and Debarments

Suspension and Debarment Action Taken by the Department as a Result of OIG Referrals, FY 2011–2016



OIG has continued its efforts to identify and refer appropriate cases to the Department for suspension and debarment. During this reporting period, because of OIG referrals, 9 grantees (individuals and entities) were debarred from conducting business with the Federal Government, bringing total FY 2016 debarments to 18.

## 9. FINANCIAL IMPACT OF OIG WORK RELATED TO THE DEPARTMENT OF STATE

In the reports issued this reporting period, OIG identified more than \$9.3 million in potential monetary benefits to the Department. Also during this reporting period, the Department made management decisions on more than \$221 million in recommendations involving questioned costs or funds that could be put to better use. As of the close of this reporting period, the Department had not yet made management decisions on approximately \$80 million in questioned costs or funds that could be put to better use, as identified by OIG.

In addition to potential monetary benefits OIG identified in this reporting period, the Department identified almost \$30 million in monetary benefits as a result of OIG recommendations made in prior period reports. These amounts had not been reported previously by OIG.

For the status of recommendations involving questioned costs in OIG reports on Department programs and operations, see Table 9.1. For the status of recommendations involving funds that could be put to better use, see Table 9.2. For a summary of consolidated Department and BBG totals of potential monetary benefits identified by OIG during this reporting period, see Section 4 of this report.

### OIG Financial Lexicon

#### Questioned Costs\*

Costs that are questioned by OIG because of an alleged violation of a provision; costs not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

#### Allowed:

A cost questioned by OIG that management has decided should be charged to the government.

#### Disallowed:

A cost questioned by OIG that management has agreed should not be charged to the government.

#### Funds Put to Better Use

Funds that could be used more efficiently if management took actions to implement and complete the recommendation.

#### Agreed:

The dollar value of recommendations that management agreed to implement.

#### Disagreed:

The dollar value of recommendations that management disagreed with implementing.

\* "Unsupported Costs" is a subset of total "Questioned Costs."

OVERSIGHT OF DEPARTMENT OF STATE PROGRAMS AND OPERATIONS

**Table 9.1**  
**Status of OIG Recommendations to the Department of State Including Questioned Costs, 4/1/2016–9/30/2016**

Recommendation Status	# Reports	Questioned Costs \$ Thousands	Unsupported Costs <sup>a</sup> \$ Thousands
A. No management decision made by start of the reporting period	11	\$56,930 <sup>b</sup>	\$28,636
B. Issued during the reporting period			
<i>Audit of Time and Material Expenses and Performance Incentive Payments Under Bureau of Information Resource Management, Vendor Management Office Vanguard Program</i>		\$568	\$560
<i>Improvements Needed To Strengthen Vehicle-Fueling Controls and Operations and Maintenance Contract at Embassy Kabul, Afghanistan</i>		\$1,210	\$1,210
<i>Audit of Task Orders for the Union III Compound Awarded Under the Operations and Maintenance Support Services Contract</i>		\$504	\$0
<i>Audit of Bureau of Near Eastern Affairs Financial Management of Grants and Cooperative Agreements Supporting the Middle East Partnership Initiative</i>		\$1,498	\$1,423
<i>Audit of the Bureau of Political-Military Affairs Federal Assistance Awards</i>		\$5,434	\$2,575
<i>Inspection of Embassy Abidjan, Côte d'Ivoire</i>		\$4 <sup>c</sup>	\$0
<b>Total (A+B)</b>	<b>17</b>	<b>\$66,147</b>	<b>\$34,404</b>
C. Management decision made during the reporting period			
(i) Disallowed costs		\$13 <sup>c</sup>	\$8
(ii) Costs not disallowed		\$2,077	\$1,547
<b>Subtotal</b>		<b>\$2,090</b>	<b>\$1,555</b>
D. <b>Total remaining for decision as of the end of the reporting period [(A+B) – Subtotal C]</b>	<b>12</b>	<b>\$64,057</b>	<b>\$32,849</b>
E. <b>Additional monetary benefits achieved as the result of prior OIG recommendations</b>	<b>2</b>	<b>\$6,383</b>	<b>\$0</b>

**Note:** Dollar amount may be affected by rounding.

<sup>a</sup>“Unsupported Costs” is a subset of total “Questioned Costs.”

<sup>b</sup> The final amount reported in the OIG’s March 2016 *Semiannual Report* (\$57,087,000) was adjusted based on updated information.

<sup>c</sup> Lines B and C(i) include \$3,900 related to a recommendation excluded in error from the prior-period *Semiannual Report* table. The narrative sections of this report and the Summary of Performance table do not include this amount.



**Table 9.2**  
**Status of OIG Recommendations to the Department of State Recommending Funds Be Put to Better Use,**  
**4/1/2016–9/30/2016**

Recommendation Status	# Reports	\$ Thousands
A. No management decision made by the start of the reporting period	17	\$243,558 <sup>a</sup>
B. Issued during the reporting period		
<i>Inspection of Embassy Cairo, Egypt</i>		\$133
<b>Total (A+B)</b>	<b>18</b>	<b>\$243,691</b>
C. Management Decision made during the reporting period		
(i) Dollar Value of Recommendations Agreed to by Management		\$36,462 <sup>a</sup>
(ii) Dollar Value of Recommendations Not Agreed to by Management		\$191,335
<b>Subtotal</b>		<b>\$227,798</b>
D. <b>Total remaining for decision as of the end of the reporting period [(A+B) – Subtotal C]</b>	<b>8</b>	<b>\$15,893</b>
E. <b>Additional monetary benefits achieved as the result of prior OIG recommendations</b>	<b>12</b>	<b>\$23,087</b>

**Note:** Dollar amount may be affected by rounding.

<sup>a</sup> Lines A and C(i) include \$8,228,366 related to management decision excluded in error from line C(i) of the prior period *Semiannual Report* tables. The narrative sections of this report and the Summary of Performance table do not include this amount.

## Office of Management and Budget Single Audits

OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (2 CFR Part 200), establishes audit requirements for state and local governments, colleges and universities, and non-profit organizations receiving Federal awards. Under 2 CFR Part 200, covered entities that expend \$750,000 or more a year in Federal funds must obtain an annual organization-wide "single audit" that includes the entity's financial statements and compliance with Federal award requirements. These audits are conducted by non-Federal auditors, such as public accounting firms and state auditors.

OIG reviews selected audit reports for findings and questioned costs related to Department awards to ensure that the reports comply with

the requirements of OMB related to single audits. OIG's oversight of non-Federal audit activity informs Federal managers about the soundness of the management of Federal programs and identifies any significant areas of internal control weaknesses, noncompliance, and questioned costs for resolution or follow-up.

During this reporting period, the Office of Audits conducted follow-up on 4 of the 10 single audit reports reviewed during the last reporting period, including a report that identified questioned costs of at least \$11,873. OIG also conducted follow-up on questioned costs of \$404,042 referred to Department program officials for resolution in prior periods. As shown in Table 9.3, the Department made no decisions during this period to allow or disallow the questioned costs.

**Table 9.3**  
**Inspector General-Referred A-133 Audit Reports With Questioned Costs**

Recommendation Status		# Reports	Questioned Costs \$ Thousands
A.	For which no management decision had been made by the commencement of the reporting period	9	\$416
B.	Issued During Reporting Period		\$0
	<b>Subtotal Questioned Costs (A+B)</b>	<b>0</b>	<b>\$416</b>
C.	For which a management decision was made during the reporting period		
	(i) Disallowed costs		\$0
	(ii) Costs not disallowed		\$0
	<b>Total Management Decisions</b>	<b>0</b>	<b>\$0</b>
D.	For which no management decision has been made by the end of the reporting period	9	\$416

**Note:** Dollar amount may be affected by rounding.

## Defense Contract Audit Agency Audits

A/LM/AQM provided OIG information concerning Department contract awards. The bureau's Business Operations Division initiates and coordinates audits with the Defense Contract Audit Agency (DCAA) to support contracting officers. Questioned costs that are

identified represent the total of all questioned dollars in DCAA audit reports issued during this reporting period. The management decision captures the resolution of audit reports made by the contracting officer during this reporting period to allow or disallow questioned costs. OIG did not verify, or otherwise audit, the values shown in Table 9.4 for the information A/LM/AQM provided.

**Table 9.4**  
Defense Contract Audit Agency Audit Reports With Questioned Costs

	# Reports	Questioned Costs \$ Thousands
A. For which no management decision had been made by the commencement of the reporting period	10 <sup>a</sup>	\$137,951
B. Issued During Reporting Period		
<i>Independent Audit Report on ACADEMI LLC's Proposed Amounts on Unsettled Flexibly Priced Contracts for Fiscal Year 2009 (2009A10100782, April 15, 2016)</i>		\$26
<b>Total Issued During the Reporting Period</b>	<b>1</b>	<b>\$26</b>
<b>Subtotal Questioned Costs (A + B)</b>	<b>11</b>	<b>\$137,977</b>
C. For which a management decision was made during the reporting period		
(i) Disallowed costs		\$0
(ii) Costs not disallowed		\$12
<b>Total Management Decisions</b>	<b>1</b>	<b>\$12</b>
D. For which no management decision has been made by the end of the reporting period	10	\$137,965

**Note:** Dollar amount may be affected by rounding. Four additional reports were issued that did not have questioned costs.

<sup>a</sup> Report count adjusted from prior period *Semiannual Report*.

## 10. COMPLIANCE

OIG tracks and documents the status of OIG report recommendations and agency follow-up actions. OMB Circular A-50 requires prompt resolution and corrective action on OIG recommendations. The circular further states that resolution shall be made within 6 months after the final report is issued, with corrective action proceeding as rapidly as possible.

Tables 10.1-10.5 provide detailed information about the status of OIG recommendations. The Department did not revise any of its previous significant management decisions

during this reporting period, and it made no significant management decisions with which OIG disagreed.

### OIG Compliance Lexicon

#### Open

**Unresolved:** No agreement between OIG and management on the recommendation or proposed corrective action (remains open).

**Resolved:** Agreement on the recommendation and proposed corrective action (remains open) but implementation has not been completed.

#### Closed

Agreed-upon corrective action is complete.

**Table 10.1**  
**Report Recommendations Without Management Decision by the Department of State**  
**for More Than 6 Months, as of 9/30/2016**

	Description
<b>Office of Audits</b>	
<p><i>Audit of the Department of State Process To Select and Approve Information Technology Investments</i>            (AUD-FM-16-31, 3/2016)</p>	<p>OIG recommended that the Bureau of Information Resource Management develop and implement a process for the Chief Information Officer (CIO) to approve the portfolio data for all IT investments prior to submission of the Exhibit 53 and Exhibit 300 reports as required by the Office of Management and Budget (OMB). The bureau's response to the draft report did not concur with the recommendation and stated that it had delegated authority for this approval to the Deputy CIOs. OIG expected that the bureau would provide OIG with documentation showing that the CIO has the authority to delegate this responsibility since OMB's requirements explicitly assign this responsibility to the CIO. However, in its May 20, 2016, response, the bureau provided no new or compelling evidence showing that the CIO has the authority to delegate blanket approval to approve the portfolio data for all IT investments prior to submission of the Exhibit 53 and Exhibit 300 reports, as required by OMB. Therefore, Recommendation 30 is unresolved.</p>
<p><i>Audit of Bureau of Diplomatic Security Worldwide Protective Services Contract Task Order 8 — Security Services at U.S. Consulate Erbil</i>            (AUD-MERO-16-30, 3/2016)</p>	<p>OIG recommended that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM) (a) determine whether the \$10.8 million in questioned costs related to Worldwide Protective Services Task Order 8 expenses are allowable or supported and (b) recover any costs determined to be unallowable or unsupported. In its May 6, 2016, response, A/LM/AQM stated that it would conduct a thorough review of the unsupported costs and determine if they are allowable or unallowable and recover unallowable costs; however, the bureau has not provided OIG with a management determination with respect to these costs. Therefore, Recommendation 1 is unresolved.</p>
<p><i>Audit of Bureau of Diplomatic Security Worldwide Protective Services Contract Task Order 3 — Baghdad Embassy Security Force</i>            (AUD-MERO-16-28, 2/2016)</p>	<p>OIG recommended that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM) determine the allowability of and recover, as appropriate, \$652,061 in unallowed costs and \$6.5 million in unsupported costs identified in the audit report. In its May 6, 2016, response A/LM/AQM stated that it would conduct a thorough review of all unallowed and unsupported costs and recover any unallowable costs; however, the bureau has not provided OIG with a management determination with respect to these costs. Therefore, Recommendations 2 and 3 are unresolved.</p>

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	Description
<p><i>Compliance Follow-up Audit of the Process To Request and Prioritize Physical Security-Related Activities at Overseas Posts</i> (AUD-ACF-16-20, 12/2015)</p>	<p>OIG recommended that the Bureau of Overseas Buildings Operations (OBO) develop and implement a method to track the funding status of every physical security deficiency identified by the Bureau of Diplomatic Security (DS) in the Deficiencies Database (Recommendation 6); and that OBO develop and implement a process to respond to posts' formal requests for physical security-related funding, which should include commitments to respond within certain timeframes (Recommendation 9). In its June 10, 2016, response to Recommendation 6, OBO stated that it already tracks project requirements through the Buildings Management Integrated Systems; however, the bureau did not provide sufficient information on how it will ensure that it will track the funding status of every physical security deficiency identified by DS in the Deficiencies Database, nor did it specifically concur with the recommendation. For Recommendation 9, OBO provided no new information that demonstrated compliance with this recommendation that did not exist at the time of the audit. Therefore, Recommendations 6 and 9 are unresolved.</p>
<p><i>Management Assistance Report: Improper Use of Overtime and Incentive Fees Under the Department of State Baghdad Life Support Services (BLiSS) Contract</i> (AUD-MERO-16-08, 11/2015)</p>	<p>OIG recommended that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM) deobligate all remaining unspent funds awarded against task orders SAQMMA14F2036, SAQMMA14F3785, SAQMMA15F0988, and SAQMMA15F3018 and inform the contractor that expenses can no longer be incurred against these task orders. In its June 1, 2016, response, A/LM/AQM stated that it was working to determine the final amount to be deobligated, but had not made a management determination. Therefore, Recommendation 2 is unresolved.</p>
<p><i>Audit of the Bureau of International Security and Nonproliferation Administration and Oversight of Foreign Assistance Funds Related to the Global Threat Reduction Program</i> (AUD-SI-15-41, 9/2015)</p>	<p>OIG recommended that the Bureau of International Security and Nonproliferation (ISN) determine whether the 12 percent service fee for the U.S. Civilian Research and Development Foundation grant is allowable. In its latest response dated October 26, 2015, ISN stated that the 12 percent service fee is allowable; however, ISN's response and the documentation provided were not sufficient to support its assertion. As a result, Recommendation 4 is unresolved.</p>
<p><i>Audit of Department of State Management and Oversight of Non-Lethal Assistance Provided for the Syrian Crisis</i> (AUD-MERO-15-39, 9/2015)</p>	<p>OIG recommended that the Bureau of Near Eastern Affairs (NEA) determine whether the \$886,021 in questioned costs related to cooperative agreement S-NEAPI-13-CA-1001 are allowable and recover any costs determined to be unallowable. In its October 13, 2015, and January 22, 2016, responses, NEA stated that it had conducted a review of the grantee to determine if the questioned costs were allowable; however, it did not conduct a sufficient review, nor did it provide a management determination as to the allowability of the questioned costs. As a result, Recommendation 2 is unresolved.</p>

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	Description
<p><i>Audit of the Bureau of International Narcotics and Law Enforcement Affairs Aviation Support Services Contract in Iraq</i> (AUD-MERO-15-35, 7/2015)</p>	<p>OIG recommended that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM) determine the validity of \$140,627 in questioned costs (Recommendation 1); determine the validity of \$789,416 in questioned costs (Recommendation 2); require contractors to retain and provide documentation that clearly, accurately, and completely supports all costs submitted on its invoices (Recommendation 4); and provide its rationale and documentation used to support its decision to authorize and obligate \$25,886,861 for reimbursements to the contractor for the payment of its employees taxes (Recommendation 9). In its latest response dated September 10, 2015, for Recommendations 1 and 2, A/LM/AQM stated that it was in discussions with the Defense Contract Audit Agency to conduct incurred cost audits; however, the bureau has not yet provided OIG management agreement on the questioned costs. For Recommendation 4, A/LM/AQM stated that it agrees with this recommendation; however, it did not provide OIG with an action plan and milestones for implementing the recommendation. Finally, for Recommendation 9, A/LM/AQM stated that the \$25 million in questioned costs were allowable and provided documentation to support that assertion; however, the documentation provided was similar to documentation provided to OIG prior to the issuance of the report and which OIG had found to be insufficient. As a result, Recommendations 1, 2, 4, and 9 are unresolved.</p>
<p><i>Audit of Department of State Oversight Responsibilities, Selection, and Training of Grants Officer Representatives</i> (AUD-CG-15-33, 6/2015)</p>	<p>OIG recommended that the Department implement a process to track grants officer representative (GOR) compliance with developing monitoring plans (Recommendation 1); implement a process to track GOR compliance with requirements to conduct reviews of performance and financial reports (Recommendation 6); determine if a total of \$26,415 in questioned costs were allowable (Recommendation 10); and determine if a total of \$36,950 in questioned costs were allowable (Recommendation 11). In responses to the draft report, the Department provided information on new procedures; however, these procedures do not include information to ensure monitoring plans are used to consistently assess the execution of the grant or cooperative agreement. Further, the Department did not indicate how it will track GOR compliance with conducting the required reviews of both performance and financial reporting or make a final determination with regard to the questioned costs. Therefore, Recommendations 1, 6, 10, and 11 are unresolved</p>
<p><i>Management Assistance Report: Embassy Tripoli Armored Vehicles Available for Redistribution and Use</i> (AUD-MERO-15-28, 5/2015)</p>	<p>OIG recommended that Embassy Tripoli transfer to Embassy Tunis the property rights to 26 armored vehicles (Recommendation 1) and that Embassy Tunis implement a plan to redistribute the armored vehicles after the property rights have been transferred (Recommendation 2). In its latest response to Recommendation 1 dated May 20, 2015, Embassy Tripoli indicated that it would evaluate the disposition of the 26 vehicles, but neither has it agreed to transfer the vehicles to Embassy Tunis, nor has it identified how many vehicles will be retained or the basis for retaining these vehicles. Embassy Tunis in its response to Recommendation 2 in the draft report did not state whether it concurred with the recommendation, but instead stated that it believed consideration of the recommendation should be deferred. As a result, Recommendations 1 and 2 are unresolved.</p>

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	Description
<p><i>Audit of Department of State FY 2014 Compliance With Improper Payments Requirements</i> (AUD-FM-15-26, 5/2015)</p>	<p>OIG recommended that the Bureau of the Comptroller and Global Financial Services (CGFS) expand its process to identify programs with significant funding changes that may increase the risk of significant improper payments and to develop a method to obtain information on improper payments identified and recovered by other bureaus. In its June 8, 2015, response, CGFS indicated it agreed with Recommendations 1 and 2, but it also indicated that it may not implement the recommendations. Furthermore, CGFS has not provided a corrective action plan to address the recommendations. As a result, Recommendations 1 and 2 are unresolved.</p>
<p><i>Audit of U.S. Mission Iraq Medical Services</i> (AUD-MERO-15-25, 5/2015)</p>	<p>OIG recommended that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM) determine whether \$6,087,633 in unsupported charges and \$685,249 in general and administrative charges are allowable. In its latest response dated December 9, 2015, A/LM/AQM indicated that the audit associated with determining the allowability of the questioned costs is still ongoing and there is not yet management agreement on the questioned costs. Therefore, Recommendation 3 is unresolved.</p>
<p><i>Audit of the Bureau of International Narcotics and Law Enforcement Affairs Law Enforcement Reform Program in Pakistan</i> (AUD-MERO-15-04, 10/2014)</p>	<p>OIG recommended that the Bureau of International Narcotics and Law Enforcement Affairs develop inventories of equipment needed for effective law enforcement operations and determine the allowability of \$208,358 in liquidated advances for unapproved purposes. The bureau continues to disagree with the need for equipment inventories based upon an assertion that standardized lists may invite additional requests for foreign assistance above need and capacity. Further, the bureau has not made a determination with respect to \$208,358 in questioned advances. Therefore, Recommendations 2 and 8 remain unresolved.</p>
<p><i>Management Assistance Report — Termination of Construction Grants to Omran Holding Group</i> (AUD-CG-14-37, 9/2014)</p>	<p>OIG recommended that the Bureau of South and Central Asian Affairs (SCA) immediately terminate grant agreements S-AF200-13-CA-012 and S-AF200-13-CA-014 and deobligate \$5 million in remaining funds; Omran Holding Group reimburse the Department for \$1.2 million in unspent funds from the grant agreements; determine the allowability of \$502,890 in potentially unallowable costs and direct Omran Holding Group to refund the Department any unallowable costs; and require Omran Holding Group to demolish an existing structure at Balkh University. SCA's last response was provided on February 10, 2015. Because the bureau did not respond to OIG's overdue notice dated June 8, 2016, the status of the recommendations was changed from resolved to unresolved. Therefore, Recommendations 1-4 are unresolved.</p>

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	Description
<p><i>Compliance Followup Audit of Department of State Actions To Address Weaknesses in the Ownership, Award, Administration, and Transfer of Overseas Construction Funded by the President's Emergency Plan for AIDS Relief</i> (AUD-ACF-14-32, 8/2014)</p>	<p>OIG recommended that the Regional Procurement Support Office in Frankfurt, Germany, determine whether the balance of \$5,213,502 in obligations remaining on nine contracts and task orders are still necessary and, if not, deobligate them. The bureau agreed with the recommendation and stated that it continued to work with the posts identified in the report to obtain documentation to close out the questioned task orders in its latest response dated July 8, 2015. However, management has not provided a decision with respect to the validity of the entire \$5,213,502 in obligations identified by OIG. Therefore, Recommendation 1 remains unresolved.</p>
<p><i>Audit of Contractor Compliance With and Department of State Oversight of the Process Required for Vetting Local Guards</i> (AUD-HCI-14-24, 6/2014)</p>	<p>OIG recommended that an overseas post ensure that a contractor fulfill all contract requirements pertaining to background investigations and maintain the local guard personnel files in accordance with contract requirements. In its response to the draft report, the overseas post stated that it has created a comprehensive file management review system; however, it has not provided OIG with any documentation, nor has it responded to the final report. Therefore, Recommendation 6 is unresolved.</p>
<p><i>Audit of Department of State Use of Appropriated Funds Prior to Expiration and Cancellation</i> (AUD-FM-14-21, 5/2014)</p>	<p>OIG recommended that the Bureau of Near Eastern Affairs (NEA) enhance its funds management standard operating procedures to improve oversight of obligations, and determine whether the balance of \$741,545 in invalid unliquidated obligations are necessary and, if not, de-obligate them. NEA provided its last response on July 7, 2014, to Recommendations 3 and 4; however, NEA has not responded since that date. Therefore, Recommendations 3 and 4 are unresolved.</p>
<p><i>Audit of the U.S. Mission Iraq Staffing Process</i> (AUD-MERO-13-33, 8/2013)</p>	<p>OIG recommended that Embassy Baghdad, in coordination with the Office of the Deputy Secretary for Management and Resources and the Bureau of Near Eastern Affairs (NEA), formally communicate U.S. foreign policy priorities to all elements of the U.S. Mission to Iraq; and, in coordination with NEA and the Office of Management Policy, Rightsizing, and Innovation, conduct a systematic analysis of staffing requirements based on the policy priorities, programs, conditions, and other relevant factors specific to U.S. Mission Iraq. Embassy Baghdad has never responded to the final report. Therefore, Recommendations 1 and 2 are unresolved.</p>
<p><i>Audit of Department of State Application of the Procurement Fee to Accomplish Key Goals of Procurement Services</i> (AUD-FM-13-29, 5/2013)</p>	<p>OIG recommended that the Bureau of Administration, in coordination with the Bureau of Budget and Planning, create a separate point limitation within the Working Capital Fund for the Procurement Shared Services (PSS) service center. Both the Bureau of Administration and the Bureau of Budget and Planning disagreed with this recommendation, stating the Bureau of Administration had "its own unique allotment code" that would allow the Bureau of Administration to "track all revenue, obligations, liquidations, and carry forward" amounts. OIG's intent was to ensure that funds collected by the PSS service center were used for acquisition-related needs, which is a high priority within the Department, and OIG has requested that the Department propose an alternative methodology that fulfills the intent of the recommendation. The bureau's last response, dated February 25, 2016, did not provide a corrective action plan or propose an alternative methodology. Therefore, Recommendation 1 remains unresolved.</p>

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	Description
<p><i>Evaluation of Emergency Action Plans for U.S. Mission Afghanistan</i> (AUD-MERO-13-20, 3/2013)</p>	<p>OIG recommended that Embassy Kabul establish formal agreements on the roles and responsibilities of non-Department of State law enforcement agencies during events requiring implementation of the Emergency Action Plan (EAP), and that Bureau of Diplomatic Security (DS) establish a process to validate the adequacy of the EAPs at high-threat posts, such as Embassy Kabul, by reviewing and assessing the resources listed in the plans for addressing each type of EAP emergency. The Embassy's last response, dated June 23, 2016, stated that the EAP referenced in the audit report was no longer in effect and that a new plan is now in place; however, post did not provide any documentation to show that this new EAP addressed the OIG's previously stated concerns. In its January 6, 2016 response DS stated that it disagreed with OIG's analysis and that individual posts should validate, review, and assess the adequacy of EAPs by reviewing and assessing the resources listed in the EAPs for addressing each type of emergency. Based upon the Bureau's change to disagreeing with the recommendation, OIG changed the status of this recommendation from resolved to unresolved. Therefore, Recommendations 6 and 8 are unresolved.</p>
<p><i>Compliance Followup Review of Department of State Actions To Reduce the Risk of Trafficking in Persons Violations in Four States in the Cooperation Council for the Arab States of the Gulf</i> (AUD-MERO-12-47, 9/2012)</p>	<p>OIG recommended that Embassy Abu Dhabi establish and implement a monitoring process for service contracts to ensure compliance with host-country labor laws and contractor-provided housing plans; and incorporate into the statement of work detailed contractor-provided housing accommodations, contracts in English and the workers' native language that include a wage policy, relevant United Arab Emirates (UAE) labor law information in the workers' native language, and the U.S. Government's zero tolerance policy toward trafficking in persons. OIG also recommended that Embassy Muscat incorporate into the statement of work for service contracts detailed contractor-provided housing accommodations, contracts in English and the workers' native language that include a wage policy, relevant labor law information in the workers' native language, and the U.S. Government's zero tolerance policy toward trafficking in persons. Embassy Abu Dhabi has never responded to the final report for Recommendations 1 and 2; and Embassy Muscat's last response was provided on October 22, 2012. Therefore, Recommendations 1, 2, and 6 are unresolved.</p>

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	Description
<p><i>Evaluation of Invoices and Payments for the Embassy Baghdad Operations and Maintenance Contract</i> (AUD-MERO-12-43, 8/2012)</p>	<p>OIG recommended that the Bureau of Administration direct the contracting officer to conduct a comprehensive review of all contractor invoices before the Embassy Baghdad operations and maintenance contract is closed to determine whether the contractor submitted adequate supporting documentation for all reimbursable costs, including the \$1.7 million identified in this report. The recommendation was previously considered resolved based on the bureau's agreement in December 2012 to make a determination regarding the allowability of reimbursable costs, including the \$1.7 million identified in the report, following Defense Contract Audit Agency (DCAA) incurred cost audits. However, the bureau's latest response indicates that these audits will not be completed until sometime in FY 2016, more than three years after the final report and the recommendation were issued. OIG does not find the response satisfactory to continue to consider the recommendation resolved with respect to the allowability of the \$1.7 million in questioned costs identified in the report. In its July 17, 2015, response, the bureau stated it was continuing to work with DCAA in its audit of this contract; however, it did not provide a management determination with respect to the \$1.7 million in questioned costs. Therefore, Recommendation 3 remains unresolved.</p>
<p><i>Audit of Expenditures from the Department of State Emergencies in the Diplomatic and Consular Service Appropriation</i> (AUD/FM-11-29, 8/2011)</p>	<p>OIG recommended that the Bureau of Resource Management develop guidance for postage used for activities related to the Secretary of State and for domestic representation events hosted by the Secretary of State similar to guidance contained in the Domestic Representation Guidelines provided to bureaus and offices. This recommendation was transferred to the Office of Emergencies in the Diplomatic and Consular Service (M/EDCS) on February 6, 2013, because M/EDCS now manages the K-fund in support of the Executive Secretariat. The last unofficial response received from M/EDCS was February 6, 2013, in which M/EDCS stated that it would ask its Director if they wished to respond to the recommendation. Thus far, OIG has no record that M/EDCS has provided an official response to the recommendation. Therefore, Recommendation 2 is unresolved.</p>
<p><b>Office of Evaluations and Special Projects</b></p>	
<p><i>Potential Issues Identified by the Office of the Inspector General of the Intelligence Community Concerning the Department of State's Process for the Review of Former Secretary Clinton's Emails under the Freedom of Information Act</i> (ESP-15-04, 7/2015)</p>	<p>OIG recommended that Intelligence Community Freedom of Information Act (FOIA) officers review the emails to ensure ClassNet use is appropriate before transmitting to the State Bureaus for review.</p>
<p><i>Review of Selected Internal Investigations Conducted by the Bureau of Diplomatic Security</i> (ESP-15-01, 10/2014)</p>	<p>OIG recommended that the Department take steps (as previously recommended in OIG's report on the 2012 inspection (ISP-I-13-18)) to enhance the integrity of the Bureau of Diplomatic Security's internal investigations process by implementing safeguards to prevent the appearance of, or actual, undue influence and favoritism by Department officials. OIG also recommended that the Department clarify and revise the Foreign Affairs Manual and promulgate and implement additional protocols and procedures in order to ensure that allegations of misconduct concerning chiefs of mission and other senior Department officials are handled fairly, consistently, and independently.</p>

**Table 10.2**  
**Department of State Management Success in Implementing Recommendations, 4/1/2016–9/30/2016**

Report	Description
<b>Office of Audits</b>	
<i>Audit of Grant Closeout Processes for Selected Department of State Bureaus</i> (AUD-CG-13-31, 6/2013)	In response to OIG’s recommendations, the Bureau of Population, Refugees, and Migration reviewed six expired grants from OIG’s sample and the remaining 202 expired grants, in the Payment Management System (PMS) as of March 1, 2012, to determine whether the funds associated with those grants could be deobligated in the Global Financial Management System (GFMS) and used for other purposes (Recommendations 4 and 5 of the report). The bureau concurred with the recommendations, reconciled the PMS records to the GFMS records for the awards in question, and provided OIG documentation showing that it had deobligated \$14.3 million in expired grant award funds (\$7.8 million and \$6.5 million in Recommendations 4 and 5, respectively).
<i>DoD and DOS Need Better Procedures to Monitor and Expend DoD Funds for the Afghan National Police Training Program</i> (AUD/CG-11-30, D-2011-080, 7/2011)	In response to OIG recommendations, the Department: (1) fully deobligated one task order and returned \$1,698,672 to DoD; and (2) recovered \$6,382,179 in overpayments to DynCorp on two related task orders.
<i>DynCorp Operations and Maintenance Support at Camp Falcon in Kabul, Afghanistan</i> (MERO-I-11-12, 8/2011)	In response to an OIG recommendation, on May 4, 2016, the Bureau of Administration provided OIG with evidence showing that DynCorp reimbursed the Department \$441,767 for food service overcharges at Camp Falcon in Kabul, Afghanistan.
<b>Office of Inspections</b>	
<i>Inspection of Embassy Cairo, Egypt</i> (ISP-I-16-15A, 4/2016)	OIG recommended that Embassy Cairo terminate residential leases located in Alexandria and renegotiate new leases when U.S. staff return to the consulate general. In response to the recommendation, Embassy Cairo reported that it terminated two leases, resulting in funds put to better use in the amount of \$97,200.
<i>Inspection of Embassy Ashgabat, Turkmenistan</i> (ISP-I-16-13A, 3/2016)	OIG recommended that Embassy Ashgabat bring internet services procurement in accordance with the Federal Acquisition Regulation (FAR). Embassy Ashgabat reported that it procured a new internet services contract that is FAR compliant, resulting in increased workflow efficiency and resulting in funds put to better use annually of \$60,000.
<i>Inspection of the Bureau of Energy Resources</i> (ISP-I-16-06, 2/2016)	OIG recommended the Bureau of Energy Resources (ENR) review all bureau magazine and newspaper subscriptions and cancel those that are available from other sources within the Department. ENR reported it had reduced subscriptions for newspapers, magazines, and other services, resulting in funds put to better use in the amount of \$76,578.
<i>Inspection of the Bureau International Organizational Affairs</i> (ISP-I-16-02, 10/2015)	OIG recommended that the Bureau of International Organizational Affairs (IO) eliminate the Office of United Nations Educational, Scientific and Cultural Organization (UNESCO), and reprogram the function and appropriate staff needed to support the work in another office. IO provided a copy of a memorandum signed by the Under Secretary for Management approving the elimination of the UNESCO office and allocation of UNESCO positions to other IO offices, resulting in funds put to better use in the amount of \$1,463,800.

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Report	Description
<i>Inspection of Embassy Tokyo, Japan</i> (ISP-I-15-35A, 8/2015)	OIG recommended that Embassy Tokyo and the Bureau of East Asian and Pacific Affairs abolish four U.S. direct-hire positions; eliminate the home-to-office shuttle services; terminate payment of a special post allowance to employed eligible family members; require other agencies to pay for repair, maintenance, and replacement of emergency and evacuation radios; and discontinue the practice of providing U.S. Government-owned housing to domestic employees of mission personnel. The Department reported it had abolished and reprogrammed three U.S. direct-hire positions; terminated the home-to-office shuttle service; eliminated the special post allowance paid to eligible family members; required other agencies to pay for the cost of repair, maintenance, and replacement of emergency and evacuation radios through a memorandum of understanding; and demolished the former U.S. Marine dormitory previously used to house domestic staff resulting in funds put to better use of \$1,961,975 annually.
<i>Inspection of Embassy Tunis, Tunisia</i> (ISP-I-15-31A, 7/2015)	OIG recommended that Embassy Tunis consolidate storage in the embassy compound warehouse. Embassy Tunis reported that it consolidated the property stored in the embassy warehouse and conducted two excess-property sales resulting in funds put to better use of \$45,562.
<i>Inspection of Embassy Dushanbe, Tajikistan</i> (ISP-I-15-17A, 4/2015)	OIG recommended that Embassy Dushanbe bring its welcome kit program into compliance with the Department's Foreign Affairs Handbook requirements. Embassy Dushanbe reported its transition to usage of permanent welcome kits instead of temporary welcome kits, resulting in funds put to better use of \$11,406 biennially based on a two-year tour of duty.
<i>Inspection of Embassy Abidjan, Côte d'Ivoire</i> (ISP-I-15-05A, 12/2014)	OIG recommended that Embassy Abidjan collect unpaid employee debts, and refer uncollectable debts to the Bureau of the Comptroller and Global Financial Services in the amount of \$3,900. Embassy Abidjan reported that it instituted a new post collections policy and reduced all outstanding employee debts to less than 90 days overdue, resulting in funds put to better use in the amount of \$4,245, an additional \$345 over the estimated recovery amount.
<i>Inspection of Embassy Kabul, Afghanistan</i> (ISP-I-14-22A, 8/2014)	OIG recommended that the Bureau of the Comptroller and Global Financial Services (CGFS) identify and collect reimbursement of post allowances from employees who were overpaid. CGFS reported that it reviewed all 130 cases and found overpayments totaling \$219,190. CGFS collected \$102,275, and the remaining \$116,914 was forwarded to accounts receivable for collection.
<i>Review of Remote Voucher Processing</i> (ISP-I-14-21, 7/2014)	OIG recommended that the Under Secretary for Management require that the 20 embassies with the highest potential for cost savings increase by 50 percent by the end of 2015 the number of vouchers processed remotely through the use of the Post Support Unit (PSU) to allow for \$4.3 million in savings annually. The Office of the Under Secretary for Management reported that the 20 posts with the highest vouchering costs identified in the OIG report represented a 25-percent increase in the PSU global vouchering workload. All 20 posts have been converted to PSU for travel voucher processing through Global e-travel. The Bureau of the Comptroller and Global Financial Services reported increased processing of voucher strip codes from 224,782 to 431,636 for all overseas missions from FY 2013 to FY 2016 (a 92-percent increase).

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## OVERSIGHT OF DEPARTMENT OF STATE PROGRAMS AND OPERATIONS

Report	Description
<i>Inspection of Embassy La Paz, Bolivia</i> (ISP-I-14-16A, 7/2014)	OIG recommended that Embassy La Paz identify a more suitable warehouse location that meets safety and security requirements. Embassy La Paz reported it had consolidated warehouse operations into two warehouse locations and terminated the lease of the former principal warehouse, resulting in funds put to better use of \$94,540 annually.
<i>Inspection of Embassy Lima, Peru</i> (ISP-I-14-12A, 6/2014)	OIG recommended that the Bureau of the Comptroller and Global Financial Services (CGFS) review the validity of Embassy Lima overpayments on the Payroll Employee Action Request List and initiate debit collection procedures to recoup allowance overpayments. CGFS reported employee reimbursements totaling \$60,073 and has initiated collection actions for the remaining balance of \$9,732.
<i>Inspection of Embassy Moscow, Russia</i> (ISP-I-13-48A, 9/2013)	OIG recommended that Embassy Moscow abolish an International Narcotics and Law Enforcement Affairs position. Embassy Moscow submitted documentation approving the abolishment of the position resulting in funds put to better use in the amount of \$567,954.
<i>Inspection of the Regional Support Center Frankfurt, Germany</i> (ISP-I-13-32, 6/2013)	OIG recommended the abolishment of three U.S. direct-hire positions. The Department abolished one of the three positions resulting in funds put to better use of \$643,123.
<i>Compliance Follow-up Review of Embassy Berlin, Germany</i> (ISP-C-13-19, 2/2013)	OIG recommended that the Bureau of Overseas Buildings Operations (OBO) sell the U.S. Government-owned consulate general compound in Hamburg and lease commercial office space suitable for the downsized consulate staff at an initial amount of \$10,500,000. OBO reported that the compound went on the market in September 2016 for an additional \$11,400,000 for a total funds put to better use of \$21,900,000.
<i>Inspection of Embassy Buenos Aires, Argentina</i> (ISP-I-13-15A, 2/2013)	OIG recommended that the Bureau of Overseas Buildings Operations (OBO) schedule a visit to Embassy Buenos Aires to conduct an assessment of all excess and underutilized U.S. Government-owned properties and implement a plan to reuse, renovate, or dispose of these properties. In response to the recommendation, OBO identified two U.S. Government-owned properties for sale with a combined value of \$1,224,542.
<i>Inspection of Embassy Nairobi, Kenya</i> (ISP-I-12-38A, 8/2012)	OIG recommended that Embassy Nairobi close out the open grants to the previous educational advising center. The Bureau of the Comptroller and Global Financial Services reported that the debt of \$16,049 was forwarded to the accounts receivable system for collection.
<i>Inspection of American Institute in Taiwan</i> (ISP-I-12-12A, 2/2012)	OIG recommended the sale of the Summer House property. The Department completed an appraisal of the property for pending sale. The property is valued at \$2,600,000.

**Table 10.3**  
**Significant Resolved Office of Audits Recommendations Pending Final Department of State Action for More Than 12 Months, as of 9/30/2016**

Report #	Rec. #	Recommendation Summary	First Reported
AUD-MERO-15-39		<i>Audit of Department of State Management and Oversight of Non-Lethal Assistance Provided for the Syrian Crisis</i>	9/2015
	1	OIG recommended that the Bureau of Near Eastern Affairs verify that the contractor, for cooperative agreement S-NEAPI-13-CA-1001, has established, and followed, appropriate financial processes that track and account for all monetary transactions before providing additional funds or awards to the contractor.	
	9	OIG recommended that the Bureau of Conflict and Stabilization Operations develop and implement a process to verify that grants officers and grants officers representatives develop monitoring plans that comply with the Federal Assistance Policy Directive, Subchapter 3.01-A, "Monitoring Plan," at the onset of any solicitation of applications for assistance award and that the plans identify specific baselines and targets that will allow the Department of State to adequately assess the recipient's performance.	
	10	OIG recommended that the Bureau of Democracy, Human Rights, and Labor develop and implement a process to verify that grants officers and grants officers representatives develop monitoring plans that comply with the Federal Assistance Policy Directive, Subchapter 3.01-A, "Monitoring Plan," at the onset of any assistance award and that the plans identify specific baselines and targets that will allow the Department of State to adequately assess the recipient's performance.	
AUD-SI-15-34		<i>Management Assistance Report: Oversight of Grants to the National Endowment for Democracy</i>	6/2015
	1	OIG recommended that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, in coordination with the Bureau of Democracy, Human Rights, and Labor, develop and implement a process to conduct audits of the National Endowment for Democracy financial transactions beginning with fiscal year 2015 and for each following year, as required by the National Endowment for Democracy Act.	
AUD-CGI-15-32		<i>Audit of Overseas Health Units Administration of Controlled and Non-Controlled Drugs</i>	6/2015
	1	OIG recommended that the Office of Medical Services develop and issue standardized procedures for overseas Health Units to maintain effective controls and procedures for the ordering, receiving, dispensing, transferring, and disposing of non-controlled drugs, including vaccines.	
	2	OIG recommended that the Office of Medical Services establish procedures for implementing an automated inventory system for pharmaceuticals.	
	3	OIG recommended that the Office of Medical Services develop and implement training for Foreign Service medical provider personnel related to pharmacy administration.	

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OVERSIGHT OF DEPARTMENT OF STATE PROGRAMS AND OPERATIONS

Report #	Rec. #	Recommendation Summary	First Reported
AUD-SI-15-23		<i>Audit of Bureau of International Security and Nonproliferation Administration and Oversight of Foreign Assistance Funds Related to the Export Control and Related Border Security Program</i>	4/2015
	2	OIG recommended that the Bureau of International Security and Nonproliferation, Office of Export Control Cooperation, in coordination with the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, when applicable, establish and implement a process to monitor grants officer representatives' grant files to ensure that all required information is documented in accordance with Department policies.	
AUD-IT-15-17		<i>Audit of the Department of State Information Security Program</i>	11/2014
	1	OIG recommended that the Chief Information Officer, in coordination with the Information Security Steering Committee, implement a risk management framework strategy for the Department that is consistent with Federal Information Security Management Act (FISMA) requirements, Office of Management and Budget (OMB) policy, and applicable National Institute of Standards and Technology (NIST) guidelines.	
	14	OIG recommended that the Bureau of Information Resource Management, Office of Information Assurance, in coordination with system owners (bureaus and posts), follow the Foreign Affairs Manual (12 FAM 620) to have the supervisor complete the appropriate system access forms (for example, new user access and elevated rights) prior to granting access.	
	18	OIG recommended that the Chief Information Officer, in coordination with the Information Security Steering Committee, exercise the authorities prescribed in the Foreign Affairs Manual (1 FAM 040 and 5 FAM 119) and direct bureaus and/or offices to prioritize resources to effectively implement and validate remediation actions prior to closing Plans of Action and Milestones.	
	19	OIG recommended that system owners, in coordination with IRM/IA, ensure that bureaus, offices, and posts adhere to completion dates for corrective actions and/or ensure that the remediation dates are updated, as needed. In addition, OIG recommended system owners implement processes and procedures to cross-reference Plans of Action and Milestones information, including costs, to the capital planning budget process with a Unique Investment Identifier.	
	21	OIG recommended that IRM/IA define a time period for bureaus and/or offices to include identified deficiencies resulting from audits into the Plans of Action and Milestones database and communicate findings to IRM/IA in accordance with OMB Memorandum M-11-33.	
AUD-MERO-15-16		<i>Audit of the Bureaus of Near Eastern Affairs and South and Central Asian Affairs Compliance With Federal and Department Premium Class Air Travel Policies</i>	11/2014
	1	OIG recommended that the Bureau of the Comptroller and Global Financial Services in coordination with the Joint Executive Office of the Bureaus of Near Eastern Affairs and South and Central Asian Affairs and the Bureau of Administration review and seek repayment of questioned travel costs for the five travel authorizations in which premium class air travel justifications were inappropriately applied and approved. OIG determined the total of these repayments could be as much as \$13,270.	

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Report #	Rec. #	Recommendation Summary	First Reported
	3	OIG recommended that the Bureau of the Comptroller and Global Financial Services review the 181 premium travel authorizations not reviewed for this audit to determine whether the use of premium class air travel was appropriate, seek repayment for any travel determined to be inappropriate, and report the results of the review to OIG.	
AUD-MERO-15-04		<i>Audit of the Bureau of International Narcotics and Law Enforcement Affairs Law Enforcement Reform Program in Pakistan</i>	10/2014
	4	OIG recommended that the Bureau of International Narcotics and Law Enforcement Affairs (INL) amend the INL Financial Management Handbook to require a detailed justification for extending subobligation terminal dates.	
	5	OIG recommended that INL negotiate future amendments to the Letter of Agreement that stipulate that the U.S. Government may reprogram funds if the funds are not subobligated before the subobligation terminal date.	
	7	OIG recommended that INL establish and implement additional procedures to review open subobligations and deobligate any subobligations that cannot be demonstrated to be still valid.	
AUD-MERO-15-03		<i>Audit of Bureau of Diplomatic Security Worldwide Protective Services Contract Task Order 10 Kabul Embassy Security Force</i>	10/2014
	2	OIG recommended that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), review the \$1,726,155 in costs OIG identified as possibly unallowable and recover any funds deemed unallowable.	
	3	OIG recommended that A/LM/AQM conduct a comprehensive review of all contractor invoices and supporting documentation to determine whether the contractor submitted adequate supporting documentation for all costs, including the \$6,916,330 identified in this report. If the documentation was not submitted, the contracting officer should request supporting documentation from the contractor and determine whether the costs were allowable under the contract terms. If the reimbursable costs cannot be supported or are not allowable under the terms of the contract, these funds should be recovered.	
AUD-CG-14-31		<i>Audit of the Administration and Oversight of Contracts and Grants Within the Bureau of African Affairs</i>	8/2014
	17	OIG recommended that AF develop and implement procedures to ensure that all future Notices of Award include appropriate performance indicators and require that grantees provide performance reports that measure program achievements in comparison to performance indicators and program objectives.	
	19	OIG recommended that AF develop and implement a process to ensure that, if grant recipients do not submit timely quarterly, annual, and final performance and financial reports, grants officer representatives will implement remedies as required by the Foreign Affairs Handbook, the Federal Assistance Policy Handbook, and AF's grant agreements.	
MA-A-0002		<i>Management Alert on Contract File Management Deficiencies</i>	3/2014
	2	OIG recommended that A/OPE provide the results of its reviews as set forth in Recommendation 1 to the appropriate bureaus and offices to ensure that contracting officers, contracting officer's representatives, as well as their supervisors and other supporting personnel, who do not adequately maintain contract files are held accountable and are required to update contact files in accordance with Federal and Department policies.	

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OVERSIGHT OF DEPARTMENT OF STATE PROGRAMS AND OPERATIONS

Report #	Rec. #	Recommendation Summary	First Reported
AUD-MERO-14-06		<i>Audit of the Contract Closeout Process for Contracts Supporting the U.S. Mission in Iraq</i>	12/2013
	9	OIG recommended that the Bureau of Administration, Office of the Procurement Executive, in conjunction with the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement an e-filing policy and document management system to provide effective contract file inventory control and documentation standards while allowing for ready accessibility through a central locator system. The policy should include minimum guidance over the completeness of data contained in the files and a schedule of milestones identifying mandatory implementation dates.	
AUD-HCI-13-40		<i>Audit of Department of State Compliance With Physical Security Standards at Selected Posts Within the Bureau of African Affairs</i>	9/2013
	1	OIG recommended that the Bureau of African Affairs (AF), in conjunction with the Bureau of Diplomatic Security (DS) and the Bureau of Overseas Buildings Operations (OBO), assess the security posture of all African posts awaiting relocation to new embassy compounds and develop a plan to correct or mitigate identified physical security deficiencies.	
	2	OIG recommended AF, in conjunction with DS and OBO, identify all personnel under chief of mission authority that are permanently located at off-compound facilities under the purview of AF posts and assess whether these facilities comply with physical security standards.	
	3	OIG recommended that OBO, in coordination with DS and AF, plan and execute any necessary upgrades to off-compound facilities where personnel under chief of mission authority are permanently located in accordance with current physical security standards.	
AUD-CG-13-31		<i>Audit of Grant Closeout Processes for Selected Department of State Bureaus</i>	6/2013
	1	OIG recommended that the Bureau of Educational and Cultural Affairs (ECA) review the remaining eight expired grants from the March 1, 2012, OIG sample and (a) reconcile the approximately \$9.6 million in the Payment Management System (PMS) to the approximately \$3.3 million recorded in the Global Financial Management System to appropriately deobligate and potentially use available funds for other designated purposes and (b) subsequently close those grants in PMS to avoid unnecessary administrative fees.	
	10	OIG recommended that ECA and PRM, in coordination with the Bureau of Administration, Office of the Procurement Executive (A/OPE), establish specific procedures that require grants officers and grants officer representatives to periodically report to their respective bureau on the progress of completing timely closeout of expired grants.	
	11	OIG recommended that ECA, PRM, and the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, in coordination with A/OPE, develop performance metrics for bureau grants officers and grants officer representatives that will provide for timely grant closeout of expired grants while reducing the current backlog.	
AUD-MERO-13-25		<i>Audit of Bureau of Diplomatic Security Worldwide Protective Services Contract – Task Order 5 for Baghdad Movement Security</i>	3/2013
	1	OIG recommended that the Bureau of Diplomatic Security (DS) and the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM) institute procedures to ensure that a needs-based analysis is conducted and documented prior to establishing all Worldwide Protective Services task order staffing requirements and prior to exercising task order options.	

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Report #	Rec. #	Recommendation Summary	First Reported
	3	OIG recommended that DS, in coordination with A/LM/AQM, establish a process to ensure that Worldwide Protective Services contract staffing requirements are adjusted when needs change during the contract performance period.	
AUD-HCI-13-02		<i>Audit of U.S. Department of State Use of Short-Term Leases Overseas</i>	12/2012
	6	OIG recommended that the Bureau of Overseas Buildings Operations establish guidelines and procedures that require posts to track and report on make-ready funds expended for individual properties to help ensure funds are expended for authorized purposes and do not exceed the Department of State limitation.	
AUD/MERO-12-29		<i>Evaluation of the Antiterrorism Assistance Program for Countries Under the Bureaus of Near Eastern Affairs and South and Central Asian Affairs</i>	4/2012
	1	OIG recommended that the Bureau of Diplomatic Security, in coordination with the Bureau of Counterterrorism, establish a monitoring and evaluation system that includes clearly defined and measurable outcome-oriented strategic goals and program objectives; measurable performance indicators that clearly link to strategic goals and program objectives; baseline data and annual performance targets for each indicator; and descriptions of how, when, and by whom performance data will be collected, analyzed, and reported.	
AUD/IP-12-02		<i>Audit of Bureau of East Asian and Pacific Affairs Compliance With Trafficking in Persons Requirements</i>	10/2011
	1	OIG recommended that the Office to Monitor and Combat Trafficking in Persons (J/TIP) include in the Foreign Affairs Manual, the U.S. Government policy regarding TIP, including the definition of TIP activity, information on the prohibition against involvement in acts of TIP for Department personnel and contractors, the associated penalties for violations, and the mechanism to report such violations.	
	2	OIG recommended J/TIP, in consultation with the Office of the Legal Adviser and the Director General of Human Resources, develop and include a trafficking in persons policy in the Department of State Standards of Conduct.	

**Table 10.4**  
**Significant Resolved Office of Evaluations and Special Projects Recommendations Pending Final Department of State Action for More Than 12 Months, as of 9/30/2016**

Report #	Rec. #	Recommendation Summary	First Reported
MA-14-03		<i>Management Alert (Grants Management Deficiencies)</i>	9/2014
	2	OIG recommended that the Bureau of Administration, Office of the Procurement Executive, develop and implement a process to randomly sample grant files, appropriately stratified by risk, to ensure that grants are closed out promptly, with required documentation, at the end of their periods of performance and to determine whether funds remaining on expired grants can be deobligated.	
	3	OIG recommended that the Bureau of Administration, Office of the Procurement Executive, provide the written results of all random grant-file reviews to the appropriate bureaus and offices to ensure that grants officers, grants officer representatives, and other grant-management officials are held accountable for their oversight performance.	

**Table 10.5**  
**Significant Resolved Office of Inspections Recommendations Pending Final Department of State Action for More Than 12 Months, as of 9/30/2016**

Report #	Rec. #	Recommendation Summary	First Reported
ISP-I-13-23		<i>Review of Department of State Implementation of Jeddah ARB</i>	9/2013
	1	OIG recommended that the Bureau of Overseas Buildings Operations provide compound emergency sanctuaries for employees who work in buildings that do not have approved safe haven or safe area.	

# OVERSIGHT OF BROADCASTING BOARD OF GOVERNORS PROGRAMS AND OPERATIONS

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## 11. OFFICE OF AUDITS

The Office of Audits supports the Broadcasting Board of Governors (BBG) by auditing its programs and operations and making recommendations to improve management, strengthen integrity and accountability, and ensure the most efficient, effective, and economical use of resources. Audit work focuses on such areas of concern as financial management and information security and management practices.

From April 1, 2016, to September 30, 2016, OIG issued three unclassified audit reports related to BBG programs and operations.

Middle East Broadcasting Networks, and domestic payroll as part of its rotational testing approach.

### Financial Management

*Audit of Broadcasting Board of Governors  
FY 2015 Compliance With Improper  
Payments Requirements  
(AUD-FM-IB-16-39, 5/2016)*

Pursuant to the Improper Payments Information Act of 2002, as amended, OIG conducted an audit to assess BBG's FY 2015 compliance with improper payments requirements.

OIG found that BBG complied with improper payment requirements for FY 2015. Specifically, BBG conducted program-specific risk assessments on significant programs and published the improper payments information in its Performance and Accountability Report. BBG elected to perform annual risk assessments of all key programs as part of its IPIA control procedures. It performed qualitative risk assessment testing for nine programs. It also performed quantitative risk assessment testing of Radio Free Europe/Radio Liberty,

The quantitative assessment found that domestic payroll was a program susceptible to significant improper payments as defined by OMB Circular A-123, Appendix C, "Requirements for Effective Estimation and Remediation of Improper Payments." BBG is required to perform additional analysis of the domestic payroll program in FY 2016 as a result of its quantitative risk assessment.

In accordance with OMB Circular A-136, "Financial Reporting Requirements," BBG disclosed required improper payments information in its FY 2015 Performance and Accountability Report, which it posted on its public website. The disclosures included a list of BBG's programs and a description of its process to identify programs susceptible to significant improper payments, including domestic payroll.

Because BBG was found to be in compliance with improper payment requirements for FY 2015, OIG is not offering recommendations as a result of this audit.

## Information Technology

*Information Report: Description of Policies and Computer Security Controls for Select Broadcasting Board of Governors Covered Systems*  
(AUD-IT-IB-16-44, 8/2016)

The Consolidated Appropriations Act, 2016, Section 406, Federal Computer Security, requires the Inspector General of each covered agency to submit a report that describes controls used by that agency to protect personally identifiable information and national security data maintained, processed, and transmitted by a covered system. Specifically, the report must describe (1) logical access policies and practices; (2) logical access controls and multi-factor authentication used; (3) the reasons logical access controls or multi-factor authentication have not been used; (4) information security management practices used for covered systems; and (5) policies and procedures that ensure information security management practices are effectively implemented by other entities such as contractors.

An independent external auditor, acting on behalf of OIG, found that BBG did not have specific policies documenting logical access controls. Instead, BBG documented logical access control policies within system security plans. The auditor also found that BBG did not use personal identity verification multi-factor authentication to govern privileged user access. BBG officials stated that the multi-factor authentication was not completed due to insufficient funding. In addition, one system

was not fully developed to implement physical access controls to BBG facilities and logical access controls to BBG personally identifiable information systems in accordance with the multi-factor authentication.

According to BBG officials, the agency has not implemented data loss prevention or digital rights management solutions at the agency level or for the PII systems reviewed. However, BBG has established alternative controls at the entity level.

With respect to policies and procedures that ensure information security management practices are implemented by other entities such as contractors, the auditor also found that BBG has not developed information security policies and procedures to ensure that all contracted/hosted information systems that contain BBG PII are implementing information security management practices. BBG officials stated that BBG has been relying on memoranda of agreement and interconnection security agreements to manage the security and privacy controls.

BBG stated it is using separate tools to track licenses associated with the software assets for its PII systems. However, a BBG official acknowledged that the agency does not have information security policies and procedures documented at the agency level to manage software assets installed on the PII systems. BBG officials also stated that BBG has implemented limited intrusion detection tools to monitor its PII systems and provide forensics and visibility capability to detect and remediate information security threats. However,

BBG officials acknowledged that the agency has not implemented any specific technology solutions to manage its data loss prevention and digital rights management capabilities at the agency level and for the two PII systems reviewed.

*Management Assistance Report: Inactive User Accounts Within the Broadcasting Board of Governors Active Directory (AUD-IT-IB-16-36, 6/2016)*

BBG uses a service known as Active Directory to centrally manage network users, groups, and system information while enforcing BBG's security standards and standardizing network configuration. Active Directory allows assignment of access controls to individuals and services based on their respective roles. The overall purpose of identity and access management in an IT system is to ensure that users and devices are authorized to access information and information systems. Users and devices must be authenticated to ensure that they have accurately

identified themselves before they obtain access rights. Strong information system authentication requires multiple factors.

OIG found non-user accounts within BBG's Active Directory, such as service accounts used by multiple users to access training classes, were incorrectly identified as user accounts. This occurred, in part, because BBG's identification and authentication policy did not contain sufficient guidance regarding how to maintain different types of accounts in Active Directory.

OIG noted that addressing these weaknesses is important because, if an intruder gains access to a privileged account that has elevated administrative rights, the intruder can access PII, which significantly increases the risk that BBG's confidential information could be altered or stolen. Further, ineffective Active Directory account management of non-user accounts increases the risk of unauthorized access to BBG's information system applications and servers.

## Ongoing Audit Work

At the close of this reporting period, the Office of Audits was performing audits of BBG's financial statements and information security program.



## 12. OFFICE OF INSPECTIONS

The Office of Inspections inspects BBG programs and operations to help identify systemic issues, use resources efficiently, and ensure the safety of personnel. Areas of specific concern include the allocation of financial resources and compliance with Federal regulations.

From April 1, 2016, to September 30, 2016, the Office of Inspections issued one report related to BBG programs and operations.

### *U.S. International Broadcasting to Egypt (ISP-IB-16-23, 9/2016)*

In its inspection of U.S. International Broadcasting to Egypt, OIG found that the Broadcasting Board of Governors' two broadcasting operations in Egypt, the Voice of America Correspondent Cairo news bureau and the Middle East Broadcasting Networks Cairo office, supported strategic objectives outlined in BBG's 5-year strategic plan for 2012-2016, titled Impact through Innovation and Integration. The Middle East Broadcasting Networks Cairo office complied with internal adminis-

trative procedures in financial management, contracting, and property management. The Voice of America Correspondent Cairo news bureau's administrative operations did not comply with Broadcasting Board of Governors' policies, Federal regulations, and applicable Department standards in four areas: cashiering operations, contract administration, position descriptions for the locally employed staff, and inventory accountability procedures. The Voice of America Correspondent Cairo news bureau did not conduct fire drills as required by the Broadcasting Administrative Manual.

The report contains one recommendation for Voice of America to coordinate with Embassy Cairo to oversee cashiering operations.

### Ongoing Inspection Work

At the close of this reporting period, the Office of Inspections was completing an inspection of the Middle East Broadcasting Networks and was beginning an inspection of Radio Free Europe/Radio Liberty.

## 13. OFFICE OF INVESTIGATIONS

The Office of Investigations conducts worldwide investigations of criminal, civil, and administrative misconduct related to BBG programs and operations. During this reporting period, the office opened three preliminary inquiries and had one monetary recovery from investigations of BBG programs and operations.

In July 2016, the Broadcasting Board of Governors' Office of the Chief Financial Officer initiated the administrative offset and debt collection of \$5,250 from a former contractor. Acting upon an internal

referral from OIG's Office of Audits, OIG special agents determined the purchase order recipient received two "out of scope" payments for webmaster services.

## 14. FINANCIAL RESULTS OF OIG WORK RELATED TO THE BROADCASTING BOARD OF GOVERNORS

During this reporting period, OIG issued no new reports that identified potential monetary benefits, and BBG made management decisions on \$1.1 million in previous OIG recommendations involving funds that could be put to better use. At the close of this reporting period, BBG had no recommendations with potential monetary benefits remaining for management decision.

There are no open recommendations involving questioned costs from this reporting period or previous reporting periods. For the status of recommendations involving

funds that could be put to better use, see Table 14.1. For a summary of consolidated Department and BBG totals of potential monetary benefits identified by OIG during this reporting period, see Section 4 of this report.

### OIG Financial Lexicon

#### Questioned Costs\*

Costs that are questioned by OIG because of an alleged violation of a provision; costs not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

#### Allowed:

A cost questioned by OIG that management has decided should be charged to the government.

#### Disallowed:

A cost questioned by OIG that management has agreed should not be charged to the government.

#### Funds Put to Better Use

Funds that could be used more efficiently if management took actions to implement and complete the recommendation.

#### Agreed:

The dollar value of recommendations that management agreed to implement.

#### Disagreed:

The dollar value of recommendations that management disagreed with implementing.

\*"Unsupported Costs" is a subset of total "Questioned Costs."

**Table 14.1**  
**Status of OIG Recommendations to the Broadcasting Board of Governors for Funds To Be Put to Better Use,**  
**4/1/2016–9/30/2016**

Recommendation Status	# Reports	Questioned Costs \$ Thousands
A. No management decision made by start of the reporting period	1	\$1,101
B. Issued during the reporting period		\$0
<b>Total (A+B)</b>		<b>\$1,101</b>
<b>C. Management decision made during the reporting period</b>		
(i) Dollar Value of Recommendations Agreed to by Management		\$1,101
(ii) Dollar Value of Recommendations Not Agreed to by Management		\$0
<b>Subtotal</b>		<b>\$1,101</b>
<b>D. Total remaining for decision as of the end of the reporting period [(A+B) – Subtotal C]</b>		<b>\$0</b>
E. Additional monetary benefits identified as the result of prior OIG recommendations		\$0

### Office of Management and Budget Single Audits

OMB’s Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Part 200), establishes audit requirements for state and local governments, colleges and universities, and non-profit organizations receiving Federal awards. Under 2 CFR Part 200, covered entities that expend \$750,000 or more a year in Federal funds must obtain an annual organization-wide “single audit” that includes the entity’s financial statements and compliance with Federal award requirements. These audits are conducted by non-Federal auditors, such as public accounting firms and state auditors.

OIG reviews selected audit reports for findings and questioned costs related to BBG awards and ensure that the reports comply with the requirements of OMB related to single audits. OIG’s oversight of non-Federal audit activity informs Federal managers about the soundness of management of Federal programs and identifies any significant areas of internal control weaknesses, noncompliance, and questioned costs for resolution or follow-up.

During this reporting period, there were no audit reports with findings and questioned costs for which BBG was required to issue management decisions.

## 15. COMPLIANCE

OIG tracks and documents the status of OIG report recommendations and agency follow-up actions. OMB Circular A-50 requires prompt resolution and corrective action on OIG recommendations.

The circular further states that resolutions shall be made within 6 months after the final report is issued, with corrective action proceeding as soon as possible.

Tables 15.1–15.3 provide detailed information about the status of OIG recommendations. As of the end of the reporting period, there

were no report recommendations without management decision for more than 6 months. Furthermore, during the reporting period, BBG did not revise any of its previous significant management decisions or make any significant management decisions with which OIG disagreed.

### OIG Compliance Lexicon

#### Open

**Unresolved:** No agreement between OIG and management on the recommendation or proposed corrective action (remains open).

**Resolved:** Agreement on the recommendation and proposed corrective action (remains open) but implementation has not been completed.

#### Closed

Agreed-upon corrective action is complete.

**Table 15.1**  
**Broadcasting Board of Governors Management Success in Implementing Recommendations, 4/1/2016–9/30/2016**

Report #	Description
<b>Office of Inspections</b>	
<i>Inspection of U.S. International Broadcasting to Afghanistan (ISP-IB-15-32, 7/2015)</i>	OIG recommended that the Broadcasting Board of Governors (BBG) review the budget authority for unliquidated obligations for fiscal years 2010-2014 and implement a system to deobligate unliquidated funds. BBG reported that a dedicated contracting officer's representative was assigned to deobligate unliquidated funds, resulting in the recovery of more than \$1,100,873.
<b>Office of Investigations</b>	
<i>Management Assistance Report: Mandatory Disclosure Language in Broadcasting Board of Governors Grants and Assistance Agreements (INV-15-03, 12/2015)</i>	OIG recommended BBG amend all active grants, cooperative agreements, and other Federal assistance awards to include mandatory disclosure language. BBG added the recommended disclosure language to its existing grants.

**Table 15.2**  
**Significant Resolved Office of Audits Recommendations Pending Final Broadcasting Board of Governors Action for More Than 12 Months, as of 9/30/2016**

Report #	Rec. #	Recommendation Summary	First Reported
AUD-IT-IB-15-13		<i>Audit of the Broadcasting Board of Governors Information Security Program</i>	10/2014
	5	OIG recommended that the Director of Global Operations approve and implement a continuous monitoring policy that assesses the security state of information systems and is consistent with National Institute of Standards and Technology Special Publication 800-53, Revision 4.	
	8	OIG recommended that the Director of Global Operations update server and workstation baseline procedures to include all of the U.S. Government Configuration Baseline configuration settings as required by the National Institute of Standards and Technology Special Publication 800-53, Revision 4.	
	9	OIG recommended that the Director of Global Operations remediate all critical vulnerabilities as they are identified through periodic scanning.	
	10	OIG recommended that the Director of Global Operations enforce the Broadcasting Board of Governors (BBG) Change Management Policy for all changes within the BBG environment.	
	11	OIG recommended that the Information Security Management Division update and implement the incident response policy and procedures to include preparation, detection and analysis, containment, eradication, recovery, and post-incident activity components as required by National Institute of Standards and Technology Special Publication 800-61, Revision 2.	
	12	OIG recommended that the Information Security Management Division adhere to the Computer Security Incident Management Policy, when finalized, to include the appropriate category level for every documented incident.	
	13	OIG recommended that the Director of Global Operations, in coordination with the system owners and the Office of the Chief Information Officer, ensure that Broadcasting Board of Governors' Plans of Action and Milestones (POA&M) include all required elements in accordance with the Information Security POA&M Policy, to include severity of the weakness, responsible organization, estimated funding resources, completion date, key milestones and changes, source of the weakness, and the latest status.	
	14	OIG recommended that the Enterprise Networks and Storage Division implement procedures to assess the adequacy of the security configurations of remote computers that request access to the Broadcasting Board of Governors' (BBG) network and grant access only to properly configured and patched devices, as required by BBG's Virtual Private Network (VPN) policy and VPN Access Acceptance Form.	
	16	OIG recommended that the Director of Global Operations and system owners ensure that user accounts are properly maintained in accordance with Broadcasting Board of Governors' Identification and Authentication Policy.	
	17	OIG recommended that the Director of Global Operations, in coordination with the Office of Security, complete the issuance of Personal Identity Verification cards as required by Homeland Security Presidential Directive 12 and Office of Management and Budget guidelines.	

*(continued on next page)*

Report #	Rec. #	Recommendation Summary	First Reported
AUD-CG-IB-14-26		<i>Audit of the Broadcasting Board of Governors Administration and Oversight of Acquisition Functions</i>	6/2014
	2	OIG recommended that the Board of Governors develop and implement enforcement mechanisms to ensure accountability for compliance with the action plan developed in response to Recommendation 1. This must include regular monitoring and evaluation of the acquisition function and compliance with the action plan.	
	3	OIG recommended that the Director of Global Operations adhere to the conditions stated in Title 22 U.S. Code Section 6206 for hiring personal services contractors; specifically, a determination of resources needed should be made; the Director should approve the employment of each personal services contractor; and contract length, including options should not exceed 2 years.	
	5	OIG recommended that the International Broadcasting Bureau, Office of Contracts, in coordination with the Office of the Chief Financial Officer, develop and implement policies and procedures to ensure that funds are available at the beginning of the period of performance for each contract, which should include the tracking of contract period of performance and the maintenance of appropriate documentation within the contract file. If funds are not available for the entire term of a contract because of a continuing resolution, a subject to availability clause should be included in the terms and conditions of the contract, per the Federal Acquisition Regulation.	
	6	OIG recommended that the International Broadcasting Bureau develop and implement fund control regulations, obtain approval from the Office of Management and Budget for the fund control regulations, and post the fund control regulations on its Web site, as required by Office of Management and Budget Circular A-11.	
	7	OIG recommended that the International Broadcasting Bureau, Office of Contracts, develop policies and procedures and implementation guidance for conducting acquisition planning, in accordance with the Federal Acquisition Regulation. Specifically, criteria and thresholds should be established to dictate when a written acquisition plan is needed and guidance should establish what types of documentation should be maintained in the contract file.	
	8	OIG recommended that the International Broadcasting Bureau, Office of Contracts, develop policies and procedures and implementation guidance for conducting market research, in accordance with the Federal Acquisition Regulation. Specifically, criteria should be established to dictate the type and extent of market research to be performed for each procurement action, and what types of documentation should be maintained in the contract file.	
	12	OIG recommended that the International Broadcasting Bureau, Office of Contracts, develop internal policies and procedures and implementation guidance, to ensure that justifications for other than full and open competition are adequately documented, and only utilized in accordance with Federal Acquisition Regulation guidance.	
	15	OIG recommended that the International Broadcasting Bureau, Office of Contracts, develop comprehensive policies and procedures and implementation guidance that directs contracting officers how to determine and document whether contract prices are fair and reasonable.	

(continued on next page)

Report #	Rec. #	Recommendation Summary	First Reported
	22	OIG recommended that the International Broadcasting, Office of Contracts, develop policies and procedures and implementation guidance to ensure that contracting officers and contracting officer’s representatives are fully aware of the type and extent of quality assurance procedures that should be performed in accordance with the Federal Acquisition Regulation, and the type of documentation that should be maintained in the contract file as supporting evidence of quality assurance.	
	25	OIG recommended that the International Broadcasting Bureau, Office of Contracts, in coordination with Voice of America, English to Africa Language Service, develop policies and procedures and implementation guidance to ensure that documentation is required for all contractor expenses to provide evidence that the funds were expended in an appropriate manner.	
	33	OIG recommended that the International Broadcasting Bureau, Office of Contracts, update policies and procedures and develop implementation guidance that mandates the documentation to be included in each type of contract file.	
	38	OIG recommended that the Director of Global Operations develop and implement an updated reporting structure for contracting officers that are embedded in program offices to ensure that all contracting officers are provided with proper oversight by the Office of Contracts.	
AUD-CG-IB-13-43		<i>Outline for Action: Management Attention Needed To Improve Broadcasting Board of Governors Acquisition Functions</i>	9/2013
	1	OIG recommended that the Director of the International Broadcasting Bureau immediately cease the use of personal services contracts that violate the Anti-Deficiency Act, take administrative disciplinary action as deemed appropriate, and report immediately to the President, Congress, and Comptroller General all relevant facts and a statement of actions taken, as required by Title 31 U.S. Code Section 1351, “Reports on violations.”	

**Table 15.3**  
**Significant Resolved Office of Evaluations and Special Projects Recommendations Pending Final Broadcasting Board of Governors Action for More Than 12 Months, as of 9/30/2016**

MA-15-01		<i>Management Alert: Broadcasting Board of Governors Significant Management Weaknesses</i>	5/2015
	1	OIG recommended that the Broadcasting Board of Governors establish milestones to implement all open recommendations, to include completion of the acquisition and procurement action plan dated January 2015.	
	2	OIG recommended that the Broadcasting Board of Governors develop a plan to monitor and sustain actions previously taken (that is, closed recommendations) to address the concerns discussed in this alert.	



# APPENDICES

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## APPENDIX A: OIG REPORTS RELATED TO DEPARTMENT OF STATE PROGRAMS AND OPERATIONS

Table A.1  
OIG Reports Related to Department of State Programs and Operations, 4/1/2016–9/30/2016

Report #	Report Title	Date Issued
<b>Office of Audits</b>		
AUD-MERO-16-50	<i>Additional Actions Are Needed To Fully Comply With Section 846 of the National Defense Authorization Act for Fiscal Year 2013 Concerning Critical Environment Contracting</i>	9/2016
AUD-SI-16-49	<i>Audit of the Bureau of Political-Military Affairs Federal Assistance Awards</i>	9/2016
AUD-CGI-16-48	<i>Audit of the Department of State Travel Card Program</i>	9/2016
AUD-SI-16-43	<i>Compliance Follow-up Review of the Department of State's Implementation of Executive Order 13526, Classified National Security Information</i>	9/2016
AUD-FM-16-47	<i>Audit of Department of State Strategic Sourcing Efforts</i>	9/2016
AUD-CGI-16-40	<i>Audit of the Aeromedical Biological Containment Evacuation Contracts Within the Bureau of Medical Services</i>	8/2016
AUD-IT-16-45	<i>Information Report: Description of Policies and Computer Security Controls for Select Department of State Covered Systems</i>	8/2016
AUD-MERO-16-41	<i>Audit of Task Orders for the Union III Compound Awarded Under the Operations and Maintenance Support Services Contract</i>	7/2016
AUD-MERO-16-42	<i>Audit of the Bureau of Near Eastern Affairs Financial Management of Grants and Cooperative Agreements Supporting the Middle East Partnership Initiative</i>	7/2016
AUD-IT-16-37	<i>Management Assistance Report: Inactive Accounts Within the Department of State's Active Directory</i>	6/2016
AUD-MERO-16-27	<i>Management Assistance Report: Questionable Practices Regarding the Department of State Baghdad Life Support Services (BLiSS) Contract, Including Suspected Use of Cost-Plus-a-Percentage-of-Cost Task Orders</i>	6/2016
AUD-CGI-16-34	<i>Audit of Time and Material Expenses and Performance Incentive Payments Under the Bureau of Information Resource Management, Vendor Management Office Vanguard Program</i>	5/2016
AUD-FM-16-38	<i>Audit of Department of State FY 2015 Compliance With Improper Payments Requirements</i>	5/2016
AUD-MERO-16-35	<i>Improvements Needed To Strengthen Vehicle-Fueling Controls and Operations and Maintenance Contract at Embassy Kabul, Afghanistan</i>	4/2016
AUD-SI-16-33	<i>Audit of Local Guard Force Contractors at Critical- and High-Threat Posts</i>	4/2016
MA-16-01	<i>Management Alert: Hazardous Electrical Current in Office and Residential Buildings Presents Life, Health, and Safety Risks at U.S. Embassy Kabul Afghanistan</i>	4/2016

(continued on next page)

Report #	Report Title	Date Issued
<b>Office of Evaluations and Special Projects</b>		
ESP-16-04	<i>Department of State Has Administrative Leave Policies but Lacks Complete and Accurate Data on the Use of Leave</i>	9/2016
ESP-16-03	<i>Office of the Secretary: Evaluation of Email Records Management and Cybersecurity Requirements</i>	5/2016
<b>Office of Inspections</b>		
ISP-I-16-22A	<i>Inspection of Embassy Montevideo, Uruguay</i>	9/2016
ISP-I-16-28A	<i>Inspection of the Bureau of Diplomatic Security, Threat Investigations and Analysis Directorate</i>	9/2016
ISP-I-16-29A	<i>Inspection of Embassy Port of Spain, Trinidad and Tobago</i>	9/2016
ISP-I-16-26A	<i>Inspection of Consulate General Curacao, Kingdom of the Netherlands</i>	9/2016
ISP-I-16-27	<i>Inspection of Embassy Quito, Ecuador</i>	9/2016
ISP-I-16-24A	<i>Inspection of Embassy Ankara, Turkey</i>	9/2016
ISP-I-16-25A	<i>Inspection of Embassy Belmopan, Belize</i>	9/2016
ISP-I-16-21A	<i>Inspection of Embassy Tegucigalpa, Honduras</i>	8/2016
ISP-16-17	<i>Management Assistance Report: Armored Vehicle Training</i>	7/2016
ISP-C-16-20	<i>Compliance Follow-up Review of the Bureau of International Narcotics and Law Enforcement Affairs</i>	7/2016
ISP-I-16-19A	<i>Inspection of Embassy Kinshasa, Democratic Republic of the Congo</i>	6/2016
ISP-C-16-18	<i>Compliance Follow-up Review of the Inspection of the Bureau of Diplomatic Security, High Threat Programs Directorate</i>	5/2016
ISP-16-14	<i>Management Assistance Report: Foreign Assistance Sustainability Is Not Clearly Defined in the Foreign Affairs Manual</i>	4/2016
ISP-C-16-16	<i>Compliance Follow-up Review of the Review of the Department of State Disciplinary Process</i>	4/2016
ISP-I-16-15A	<i>Inspection of Embassy Cairo, Egypt</i>	4/2016

**Table A.2**  
**OIG Reports<sup>a</sup> Related to Department of State Programs and Operations Summarized in the *Classified Annex to the Semiannual Report to the Congress, 4/1/2016–9/30/2016***

Report #	Report Title	Date Issued
<b>Office of Audits</b>		
AUD-IT-16-51	<i>Audit of the Information Security Program for Sensitive Compartmented Information Systems at the Department of State</i>	9/2016
AUD-IT-16-46	<i>Audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section, Information Security Program</i>	8/2016
AUD-IT-16-45A	<i>Classified Annex to the Information Report: Description of Policies and Computer Security Controls for Select Department of State Covered Systems</i>	8/2016
<b>Office of Inspections</b>		
ISP-S-16-29A	<i>Classified Annex to the Inspection of Embassy Port of Spain, Trinidad and Tobago</i>	9/2016
ISP-S-16-28A	<i>Classified Annex to the Inspection of the Bureau of Diplomatic Security, Threat Investigations and Analysis Directorate</i>	9/2016
ISP-S-16-26A	<i>Classified Annex to the Inspection of Consulate General Curacao, Kingdom of the Netherlands</i>	9/2016
ISP-S-16-25A	<i>Classified Annex to the Inspection of Embassy Belmopan, Belize</i>	9/2016
ISP-S-16-24A	<i>Classified Annex to the Inspection of Embassy Ankara, Turkey</i>	9/2016
ISP-S-16-22A	<i>Classified Annex to the Inspection of Embassy Montevideo, Uruguay</i>	9/2016
ISP-S-16-21A	<i>Classified Annex to the Inspection of Embassy Tegucigalpa, Honduras</i>	8/2016
ISP-S-16-19A	<i>Classified Annex to the Inspection of Embassy Kinshasa, Democratic Republic of the Congo</i>	6/2016
ISP-S-16-15A	<i>Classified Annex to the Inspection of Embassy Cairo, Egypt</i>	4/2016

<sup>a</sup>Eight additional reports (titles classified) can be found in the *Classified Annex to the Semiannual Report to the Congress*.

## APPENDIX B: OIG REPORTS RELATED TO BROADCASTING BOARD OF GOVERNORS PROGRAMS AND OPERATIONS

Report #	Report Title	Date Issued
<b>Office of Audits</b>		
AUD-IT-IB-16-44	<i>Information Report: Description of Policies and Computer Security Controls for Select Broadcasting Board of Governors Covered Systems</i>	8/2016
AUD-FM-IT-16-36	<i>Management Assistance Report: Inactive User Accounts Within the Broadcasting Board of Governors Active Directory</i>	6/2016
AUD-FM-IB-16-39	<i>Audit of Broadcasting Board of Governors FY 2015 Compliance With Improper Payments Requirements</i>	5/2016
<b>Office of Inspections</b>		
ISP-IB-16-23	<i>U.S. International Broadcasting to Egypt</i>	9/2016

## APPENDIX C: PEER REVIEWS

OIG conducts oversight activities to help ensure that the Department of State and Broadcasting Board of Governors manage and execute programs and operations as efficiently and effectively as possible. To underscore the importance of operational efficiency and effectiveness, OIG is measured by industry standards and best practices set forth by the oversight community, represented by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). As part of this shared internal control system, CIGIE requires OIGs to conduct and undergo periodic external peer reviews, and the Inspector General Act of 1978 requires the results of these peer reviews to be published in this *Semiannual Report to the Congress*.

### Office of Audits

The Office of Audits did not undergo a peer review during this reporting period. The Department of Commerce conducted the last peer review for the reporting period ending September 30, 2015, and issued its report on its review on March 18, 2016. The Office of Audits received a peer review rating of pass, the best possible rating. The report's accompanying letter of comment contained two recommendations that, while not affecting the overall opinion, were designed to further strengthen the system of quality control in the Office of Audits. The report is available on OIG's website at <https://oig.state.gov>. The next Office of Audits' peer review will occur during FY 2019.

## APPENDIX D: ABBREVIATIONS

Abbreviation	Full Name
A/LM/AQM	Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management
AF	Bureau of African Affairs
ARB	Accountability Review Board
BBG	Broadcasting Board of Governors
BLISS	Baghdad Life Support Services
CDC	Centers for Disease Control and Prevention
CECAS	Critical Environment Contracting Analytics Staff
CFR	Code of Federal Regulations
CGFS	Bureau of the Comptroller and Global Financial Services
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CIO	Chief Information Officer
COR	contracting officer's representative
DCAA	Defense Contract Audit Agency
Department	Department of State
DoD	Department of Defense
DS	Bureau of Diplomatic Security
ENR	Bureau of Energy Resources
FAM	Foreign Affairs Manual
FAR	Federal Acquisition Regulation
FOIA	Freedom of Information Act
GFMS	Global Financial Management System
GOR	grants officer representative
INL	Bureau of International Narcotics and Law Enforcement Affairs
IO	Bureau of International Organizational Affairs
IPIA	Improper Payments Information Act
IRM	Bureau of Information Resource Management
IRM/IA	Bureau of Information Resource Management, Office of Information Assurance
ISIL	Islamic State of Iraq and the Levant
ISN	Bureau of International Security and Nonproliferation
IT	information technology
LGF	local guard force

<b>Abbreviation</b>	<b>Full Name</b>
LIG	Lead Inspector General
MED	Bureau of Medical Services
M/EDCS	Office of Emergencies in the Diplomatic and Consular Service
MEPI	Middle East Partnership Initiative
NEA	Bureau of Near Eastern Affairs
OBO	Bureau of Overseas Buildings Operations
OCO	overseas contingency operation
OIG	Office of Inspector General
OMB	Office of Management and Budget
PAE	PAE Government Services, Inc.
PII	personally identifiable information
PM	Bureau of Political-Military Affairs
PMS	Payment Management System
POA&M	Plans of Action and Milestones
PSS	Procurement Shared Services
PSU	Post Support Unit
SCA	Bureau of South and Central Asian Affairs
TIP	trafficking in persons
UAE	United Arab Emirates
UNESCO	United Nations Educational, Scientific and Cultural Organization
USACE	U.S. Army Corps of Engineers
USAID	U.S. Agency for International Development
VOA	Voice of America
VPN	Virtual Private Network



## APPENDIX E: INDEX OF REPORTING REQUIREMENTS UNDER THE INSPECTOR GENERAL ACT OF 1978

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United States Department of State  
Broadcasting Board of Governors