

OFFICE OF INSPECTOR GENERAL

Proposed Appropriation Language

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For necessary expenses of the Office of Inspector General, \$65,154,000, notwithstanding section 209(a)(1) of the Foreign Service Act of 1980 (Public Law 96-465), as it relates to post inspections .

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Resource Summary

(\$ in thousands)

Appropriations	FY 2010 Actual	FY 2011 CR	FY 2012 Request
American Positions	318	318	318
Funds	105,600	56,000	65,154

FY 2010 Actual includes \$2.0 million transferred from the Economic Support Fund to the Department of State Office of Inspector General, \$23.0 million for the Special Inspector General for Afghanistan Reconstruction, and \$23.0 million for the Special Inspector General for Iraq Reconstruction as provided by the Consolidated Appropriations Act, 2010 (P.L. 111-117). FY 2010 Actual also includes \$3.6 million provided to the Department of State Office of Inspector General by the Supplemental Appropriations Act, 2010 (P.L. 111-212).

In previous years, the Office of Inspector General chapter included funding for the Special Inspector General for Afghanistan Reconstruction (SIGAR) and the Special Inspector General for Iraq Reconstruction (SIGIR). This year, SIGAR and SIGIR funding is included in the Overseas Contingency Operations (OCO) chapter. FY 2010 of this chapter still reflects the combined amounts for all IGs while FY 2011 and FY 2012 show only the Department of State Office of Inspector General. The FY 2010 Actual level for the Department of State Office of Inspector General is \$59.6 million.

Program Description

The Office of the Inspector General has the leading role in helping the Department of State (Department) and the Broadcasting Board of Governors (BBG) improve management, strengthen integrity and accountability, and ensure the most efficient, effective, and economical use of resources. OIG's oversight extends to the Department's and BBG's 67,000+ employees and more than 275 missions and other facilities worldwide, funded through combined annual appropriations of more than \$17 billion. OIG remains at the forefront of efforts to identify potential savings and cost efficiencies for the Department and BBG, and strives to provide timely, relevant, and useful feedback that supports decision makers in strengthening programs and operations.

In the past three years, OIG has implemented initiatives to strengthen its oversight of high-cost, high-risk Department operations and programs in the Middle East, and South and Central Asia. In 2008, OIG opened its first overseas office in Amman, Jordan, to dedicate on-the-ground resources and expertise to oversight of Department activities and U.S. interests in Iraq, Afghanistan, Pakistan, and other crisis and post-conflict countries. OIG subsequently opened a field office in Cairo, Egypt, and temporary satellite offices in Baghdad, Iraq; Kabul, Afghanistan; and, most recently, in Islamabad, Pakistan, in September 2010. The FY 2012 funding request will enable OIG to sustain efforts made during the past three years to restore its investigative capability, which had seriously declined in the preceding decade, with a drop in staff levels of nearly 60 percent. OIG has aggressively recruited staff to rebuild the Office of Investigations and improve its capacity to address allegations of waste, fraud, and abuse. The Middle East Investigative Branch was established in 2009, with staff now located in Amman and Baghdad. Also within the past year, OIG has brought new senior management into the Office of Audits and restructured the office to align future work with long-term OIG and Department goals.

The requested funding will allow OIG to maintain the level of oversight that the growing size, complexity, and importance of Department programs demand. Of the total funding available to OIG in FY 2010, close to 20 percent was supplemental funding that expired at the end of the fiscal year, constraining OIG's ability to maintain current operations without the additional funding requested for FY 2012.

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Based on FY 2010 funding levels and taking expected attrition into account, OIG established an internal ceiling of 251 direct-hire positions for FY 2011. Actual on-board staffing as of November 30, 2010, was 222, with 13 additional direct-hire positions and 7 personal services contractors in the pipeline. OIG is not requesting funding for additional positions in FY 2012.

OIG Goals and Priorities for FY 2012

OIG's mandate encompasses all domestic and overseas activities, programs, and missions of the Department and the BBG. OIG's overarching goal for FY 2012 is to effect positive change by being a valued resource to the Department and BBG, with specific emphasis on the following:

- **Relevance:** OIG work will be directed at Department and BBG priorities, with an emphasis on global issues; the effectiveness of foreign assistance programs; resource-intensive programs and operations; priority posts and bureaus; activities funded by the American Recovery and Reinvestment Act of 2009 (ARRA); implementation of reforms resulting from the Department's Quadrennial Diplomacy and Development Review (QDDR); and Department coordination with other U.S. Government agencies.
- **Value Added:** OIG will recommend actions that result in savings, cost recoveries, prevention of losses, and improved efficiencies and security.
- **Usefulness:** OIG products will assist decision makers to improve programs and make effective spending decisions in an environment of constrained financial resources.
- **Timeliness:** OIG will reduce the time for completing its audits, inspections, and reviews by using appropriate technologies to start jobs sooner, finish them quicker, and disseminate the results broadly.

The Office of Audits

The Office of Audits conducts and coordinates audits and program evaluations of the management and financial operations of the Department and BBG, including their audited financial statements, internal operations, external activities funded by the Department through contracts or financial assistance, and programs and operations worldwide. It also conducts annual evaluations of Department and BBG compliance with the Federal Information Security Management Act, and other comprehensive, global assessments of high-cost, strategically significant Department and BBG programs and management challenges, emerging initiatives, priorities, and areas of Congressional interest.

The Office of Inspections

The Office of Inspections assesses domestic and overseas operations and facilities of the Department and BBG. Inspections review executive direction, policy and program implementation, resource management, and management controls, and provide oversight of programs and operations relating to foreign assistance funding, public diplomacy, and Department efforts to counter terrorism worldwide, including Iraq, Afghanistan, and other crisis/post-conflict areas. The Office of Inspections also offers a quick-response capability to assess important areas identified by the Department and Congress.

The Office of Investigations

The Office of Investigations conducts investigations of criminal, civil, and administrative misconduct related to Department and BBG programs and operations by investigating specific allegations, reports, or other information indicating possible violations of law or regulation. Investigative results are referred to the Department of Justice for prosecution and to the Bureaus of Human Resources and Diplomatic Security or other agencies for administrative or other appropriate action. The office maintains the OIG

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Hotline, a confidential channel for complaints. OIG’s Middle East Investigative Branch is headquartered in Amman, Jordan, with a satellite office in Baghdad, Iraq.

Strengthening Oversight Capabilities in the Middle East and Other Post-Conflict Areas

Maintaining and strengthening OIG’s presence in the Middle East, South and Central Asia, and other crisis and post-conflict areas is OIG’s top priority for FY 2012. As Department resource commitments in Iraq, Afghanistan, and Pakistan continue to grow, OIG’s oversight responsibilities have increased correspondingly. OIG officially opened the Middle East Regional Office (MERO) in Amman, Jordan, in 2008 to focus dedicated resources and expertise on high-risk, high-cost programs and operations in the region, particularly with respect to U.S. interests in Iraq, Afghanistan, Pakistan, and other crisis/post-conflict countries. OIG will continue to support the Department’s priorities by expanding OIG’s oversight in the region to contribute to improvements in policies, programs, and operations and more effective use of resources. The requested increase will enable OIG to replace supplemental funding—currently a significant source of MERO funding—with permanent base funding, and transition its direct-hire staff in Cairo from 1-year unaccompanied tours to 3-year accompanied tours.

Performance

Two key measures of the effectiveness of OIG’s work are monetary benefits and resolution of OIG recommendations. Monetary benefits from OIG’s work result in more effective and efficient use of U.S. taxpayer dollars, and are a primary mandate of the Office of Inspector General. Monetary benefits include cost savings, recoveries, and flagged costs, funds put to better use, efficiencies, restitutions, and fines. OIG audits, inspections, evaluations, and investigations result in potential and actual cost savings and efficiencies to the Department and the Broadcasting Board of Governors.

STRATEGIC GOAL: STRENGTHENING CONSULAR AND MANAGEMENT CAPABILITIES						
Strategic Priority	Planning and Accountability					
Indicator	Monetary benefits: questioned costs, funds put to better use, cost savings, recoveries, efficiencies, restitutions, and fines					
FY 2007 Result	FY 2008 Result	FY 2009 Result	FY 2010 Result	FY 2010 Target	FY 2011 Target	FY 2012 Target
\$52.6 million	\$23 million ▲ Above Target	\$26.4 million ▲ Above Target	\$25.5 million ▲ Above Target	\$12.5 million	\$17.8 million	\$19.0 million
Reason for Exceeding Target	OIG’s 2010 results are significantly above target due to one audit and one evaluation that resulted in higher monetary benefits than expected. In planning its work, OIG attempts to target high-cost, high-risk programs that may have internal control vulnerabilities. However, OIG cannot predict the actual extent of potential monetary benefits ultimately identified as a result of its work.					
Impact	Monetary benefits from OIG’s work result in more effective and efficient use of U.S. taxpayer dollars and actual monetary recoveries.					
Methodology	OIG management analysts - who are independent of the audit and investigative teams that identify the monetary benefits - monitor, follow-up, and report on the status and value of monetary benefits reported by audit and evaluation teams. These amounts are entered and their status tracked in OIG’s databases for compliance (audits, inspections, and evaluations) and investigations.					

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Data Source and Quality	Recoveries, questioned costs, and funds put to better use are based on amounts identified in OIG reports, as agreed to by the agency and tracked in OIG's compliance database. Investigative recoveries reflect court-ordered fines, restitutions, and recoveries based on information received from external prosecutorial and administrative authorities. The Data Quality Assessment revealed no significant data limitations.
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Recommendations are a major product of OIG audits, inspections, and evaluations, and serve as the vehicle for correcting vulnerabilities and realizing positive change in the Department and the Broadcasting Board of Governors. Resolution of recommendations reflects management's willingness to take the actions recommended by OIG to correct identified problems and improve their programs and operations. The percentage of recommendations resolved within six months (inspections) or nine months (audits and evaluations) indicates to what extent management has agreed to take timely action to correct identified problems in line with OIG recommendations, or has identified acceptable alternatives that are expected to result in improved programs and operations.

STRATEGIC GOAL: STRENGTHENING CONSULAR AND MANAGEMENT CAPABILITIES						
Strategic Priority	Planning and Accountability					
Indicator	Percentage of recommendations resolved within the appropriate timeframe (6 months for inspections and 9 months for audits and evaluations)					
FY 2007 Result	FY 2008 Result	FY 2009 Result	FY 2010 Result	FY 2010 Target	FY 2011 Target	FY 2012 Target
88 percent	87 percent	91 percent ▲ Above Target	79 percent ▼ Below Target	82 percent	85 percent	86 percent
Steps to Improve	The decline in results is due to the fact that the number of recommendations doubled from about 1,100 in 2009 to 2,200 in 2010. OIG will determine whether the increased level of activity is likely to continue, and if so, whether OIG can dedicate more staff to the area, or if the targets should be recalibrated to the new, higher level of recommendations.					
Impact	The percentage of recommendations resolved within six months (inspections) or nine months (audits and evaluations) indicates to what extent agency management has agreed to take timely action to correct identified problems in line with OIG recommendations, or has identified acceptable alternatives expected to result in improved programs and operations.					
Methodology	The OIG offices assess and track compliance of each recommendation based on ongoing correspondence with the Department, and update the recommendation's status in the compliance database. In addition, each month OIG sends individual Department bureaus a status report of OIG recommendations directed to them. OIG and the bureaus follow up on and reconcile any discrepancies, and the OIG compliance database is updated when necessary.					
Data Source and Quality	The percentage of recommendations resolved within the stated timeframes is derived from information in OIG's compliance database. Recommendations in OIG reports are entered into the compliance database, and their status is updated by the OIG offices that performed the work, based on ongoing communication with the Department. Some loss of data recently occurred in OIG's compliance database. The missing data was restored based on a review of all reports issued since 1990. No significant data limitations remain.					

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Justification of Request

The OIG request of \$65.154 million will help support the Department's efforts to realize efficiencies in high-cost programs and activities, including actual or potential monetary benefits of \$19 million in FY 2012. This increase includes \$2.0 million to convert 10 direct-hire staff positions in Cairo from 1-year unaccompanied tours to 3-year accompanied tours. The request also includes \$455,000 for mandatory contributions to fund operations of the Council of Inspectors General on Integrity and Efficiency. In addition, OIG's overall budget request includes \$500,000 for training, which will satisfy all of OIG's training requirements for FY 2012. Other increases will enable OIG to meet essential costs necessary to support its FY 2012 priority of strengthening its oversight in the Middle East.

Middle East Regional Office

MERO is staffed with auditors and management analysts who can react on short notice to conduct evaluations and reviews in the Middle East, South and Central Asia, and other crisis and post-conflict areas. MERO is headquartered in Washington DC, and operates through its permanent field office in Cairo, Egypt; temporary satellite offices in Kabul, Afghanistan, and Baghdad, Iraq; and a new temporary satellite office in Islamabad, Pakistan, which opened in September 2010. These offices are supplemented with staff in Washington, DC.

OIG's FY 2012 request includes \$2.0 million to convert 10 staff positions at the MERO Cairo field office from one-year unaccompanied tours to 3-year accompanied tours. This conversion, requested by the Department, will require OIG to begin paying the costs of long-term housing and accompanying family members for overseas direct-hire personnel. The longer accompanied tours will give OIG access to a larger recruiting base of qualified staff and will result in a more stable overseas workforce to carry out OIG's global mission.

Funds by Program Activity (\$ in thousands)

Activities	FY 2010 Actual	FY 2011 CR	FY 2012 Request
Administration and Staff Activities	15,011	14,205	16,438
Inspections, Audits, Investigations	41,804	39,379	45,900
Policy Formulation	2,785	2,416	2,816
SIGAR Activities	23,000	0	0
SIGIR Activities	23,000	0	0
Total	105,600	56,000	65,154

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Funds by Object Class (\$ in thousands)

	FY 2010 Actual	FY 2011 CR	FY 2012 Request
1100 Personnel Compensation	56,201	36,324	41,765
1200 Personnel Benefits	17,824	8,580	10,001
2100 Travel & Trans of Persons	9,019	5,877	6,850
2300 Rents, Comm & Utilities	3,948	914	1,066
2400 Printing & Reproduction	985	486	566
2500 Other Services	14,678	2,736	3,422
2600 Supplies and Materials	1,619	224	261
3100 Personal Property	1,051	659	768
4100 Grants, Subsidies & Contrb	100	0	0
9999 Council of the Inspectors General on Integrity and Efficiency	175	200	455
Total	105,600	56,000	65,154

In response to the Inspector General Reform Act of 2008 (P.L. 110-409), Sec. 6, the following data is provided:

Inspector General Act Reporting (\$ in thousands)

Appropriations	FY 2012 IG Request to Agency	FY 2012 President's Request	FY 2012 CIGIE Contribution*within President's Request	FY 2012 Training Funds within President's Request
OIG	73,326	65,154	455	500
SIGAR	44,455	44,387	0	540
SIGIR	18,984	18,545	0	55
Total	136,765	128,086	455	1095

*CIGIE Contribution – IG contribution to the Council of the Inspectors General on Integrity and Efficiency

CIGIE did not mandate a SIGAR or SIGIR contribution for FY 2012.